

S. HRG. 108-510

**EXAMINE THE RURAL DEVELOPMENT PROGRAMS
OF THE UNITED STATES DEPARTMENT OF
AGRICULTURE**

**HEARING
BEFORE THE
SUBCOMMITTEE ON FORESTRY, CONSERVATION AND
RURAL REVITALIZATION
OF THE
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
UNITED STATES SENATE**

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RURAL REVITALIZATION AND DEVELOPMENT

TUESDAY, MARCH 16, 2004

U.S. SENATE,
SUBCOMMITTEE OF FORESTRY, CONSERVATION, AND RURAL
REVITALIZATION, OF THE COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY,
Washington, DC

The subcommittee met, pursuant to notice, at 10:30 a.m., at the Ashley Inn, 500 North Main Street, Cascade, Idaho, Hon. Mike Crapo, [Chairman of the Subcommittee], presiding.

**STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM
IDAHO, CHAIRMAN, SUBCOMMITTEE ON FORESTRY,
CONSERVATION, AND RURAL REVITALIZATION, COMMITTEE
ON AGRICULTURE, NUTRITION, AND FORESTRY**

Senator CRAPO. I will officially open this hearing. Ladies and gentlemen, this is an official hearing of the U.S. Senate Subcommittee on Forestry, Conservation, and Rural Revitalization, and I happen to be the Chairman of that subcommittee. This subcommittee works under the Senate Committee on Agriculture, Nutrition, and Forestry, which is Chaired by Senator Thad Cochran of Mississippi. Thad, I would just take a moment to note, is an outstanding Chairman of the Committee. He is very concerned about the kinds of issues that we are going to be handling here today and is the one who authorized us officially for this hearing to be held here in Idaho.

The subcommittee has jurisdiction over rural development legislation, the Farm Credit System, forestry in general, the Farmers Home Administration, and several stream channelization and flood control programs. As you probably are aware, the primary focus of this hearing is on rural revitalization and on rural development and economic opportunities in rural communities.

I am the only member of that subcommittee from the Intermountain West, and as a result of that, I felt that it was important to hold this hearing out here in the West so that people from Idaho in particular and from the Intermountain West can have an opportunity to give their input on some of these critical issues. We are still faced with a tale of two economies between our larger, urbanized centers in the United States and our rural communities, and I am very pleased to be able to serve on this committee that has a focus on these kinds of rural issues.

As I said, our focus today is on rural revitalization and development, particularly the USDA programs for rural development. It al-

ways interests me to see how the Federal Government approaches these kinds of issues.

According to the memo that I have in front of me here, there are over 88 programs administered by 16 different Federal agencies that target rural economic development. It is not unusual in the Federal Government to have efforts coming at a particular issue from many different perspectives. Often that is very helpful because we find that there are holes or problems in terms of coverage. By the same token, when you have that many programs and such a large Federal bureaucracy, we also often get into throwing a lot of money at an issue without having necessarily the kind of focused successes that we would like to have.

One of the things that I am looking for today, in particular with regard to USDA programs, is what is out there, what is working, what is not working, what kind of coverage overlaps do we have, where do we not have coverage, what can we do to make it better? I should note that the USDA administers the greatest number of the rural development programs. I said there were 16 agencies and 88 programs. If I read my memo correctly, the USDA not only administers the greatest number of these programs, but has the highest average of program funds going directly to rural communities—which is, a tribute to the USDA, and our compliments go to them for their efforts in these broad areas.

Today, we have put together five strong panels on rural issues ranging from community development to multi-family housing to small business financing and the Healthy Forests Restoration Act. I know that people in this community are very focused on the Healthy Forests Restoration Act, and we are going to try to focus on its implementation as well. Through this hearing, we hope to address some important questions. Which programs can best serve the needs of our rural communities and our rural businesses? Can our programs be improved or focused better? How can we make better use of existing programs in Idaho? Where gaps exist in programs, how can we address that concern or problem?

I am going to have more to say on this and, actually, more to ask about this during the question-and-answer period with our witnesses, but now I would like to move to our first panel. Before I do that, I want to just lay the groundwork. I should introduce Emily McClure, who is my assistant today. You probably recognize the name McClure, and she is related to Senator McClure, a granddaughter, and she works on my staff in Washington, DC, right now and is one of the outstanding people from Idaho who is representing you in Washington, DC. That is the truth. She is going to be the timekeeper today, so I want you all to pay very close attention to her.

[Laughter.]

Senator CRAPO. One of the things I have found, and it is true about me, is that—we allocate 5 minutes for your oral testimony today. I don't know anybody who can say everything they have to say in 5 minutes, and I am sure when your 5 minutes is up, you will not be done with what you have come here to say. I would ask you to pay close attention, though, and wrap up your thought or your sentence or whatever when the time is up, and I have asked Emily to show you the signs. It is also hard for people when they

are talking to remember to look at Emily, so I have told her when the time is up to ding the glass here so that way you get an audible, an audible sign that your time is up.

[Laughter.]

Senator CRAPO. The reason for that is because we like to get engaged in a dialog, not only me and you, but among members of the panel. It is during that dialog that you will have an opportunity to say a lot more of what you might not have been able to finish in your opening statement. To all of the witnesses today, I encourage you to really follow the 5-minute rule because, if not, we don't really get the chance to get into that discussion, which is a really valuable part of it all.

If at the end of the day, after your 5 minutes and your opportunity during the question and answers, you don't feel like you have had a chance to really say it all, we keep the record open, and you can supplement the record with further statements you can send to us in writing. I hope that that works out with all of you very well. Have I forgotten anything in terms of instructions?

We want to thank those from this incredible facility here for making it available to us. I do have to tell you, I have a week to spend in Idaho now, and I visit with many of you in Washington, DC. I apologize to some of you if you have been there to see me and business has interfered with us actually seeing each other, but I much prefer meeting with folks out here in Idaho. I can't imagine a more beautiful setting, both this facility that we are in and the incredible surroundings in which we find ourselves. This is one of the fun parts of the job, to be able to pick where we have these hearings.

[Laughter.]

Senator CRAPO. With that, we will proceed. Our first panel is Jerry Miller, a rural development specialist with the Idaho Department of Commerce; Mr. Jim Birdsall, a private consultant with Birdsall and Associates; Carleen Herring with Region IV Development Association; and Bob Harper, a City Council member from Riggins, where I hope to go fishing this year.

[Laughter.]

Senator CRAPO. With that, we will go in that order. Mr. Miller.

STATEMENT OF JERRY MILLER, COMMUNITY DEVELOPMENT SPECIALIST, IDAHO DEPARTMENT OF COMMERCE

Mr. MILLER. Good morning, and thank you very much for this opportunity to present before the U.S. Senate, and thank you for providing this voice for rural Idaho and rural America. On behalf of the Idaho Department of Commerce, I would like to take this opportunity to once again thank the U.S. Senate and the office of Senator Mike Crapo for conducting today's hearing and providing a voice for rural America. My name is Jerry Miller, and I am a rural development specialist with the Idaho Department of Commerce. My primary responsibility at the department is to assist the communities plan, fund, and implement their community and economic development projects.

The approach that we take in Idaho toward economic and community development can be summed up with the word partnership. It is only through the collaboration of State and Federal partners,

city and county governments, and non-profit organizations do we achieve the results that we have been able to achieve in the State with the limited resources that are available. I want to highlight two examples of partnerships that have formed out there, and these are partnerships that have been incubated, nurtured, and created around two small but very effective Federal programs.

The first program I would like to talk about this morning is the Rural Community Assistance Program funded through the U.S. Forest Service. Each year the Forest Service provides approximately \$140,000 for small-scale community and economic development projects in Idaho. The Rural Community Assistance Program is unique in that it addresses projects that don't fit the size, scale, and cookie-cutter mentality of some of the larger State and Federal funding programs that are out there. This is an especially important offset given that the current trend at both State government and the Federal level seems to be toward agencies funding larger projects and fewer of them.

I won't go into all the details and mechanics of how the programs work in Idaho. I would rather tell you the story of a success that we have had with the Rural Community Assistance Program and that is the Almo-Connor Creek-Elba fire base station or otherwise known as the ACE Fire Association, located in lower Cassia County.

Organized as a volunteer department, the ACE Fire Association protects the residences, lands, and public attraction of southern Cassia County in Idaho. Included in their jurisdiction is the city of Rocks National Reserve and Castle Rocks State Park. Before receiving a Rural Community Assistance Grant, ACE Fire Association lacked the facilities to provide even the most minimal, basic level of fire protection. Equipment sat outside exposed to the elements, which meant during the winter months, it effectively could not be used. You can't prefill a fire truck and let it sit outside and freeze in the winter months. Probably even scarier than that is the fact that the ambulance service had to forego use of medications, supplies, and certain weather-sensitive equipment simply because there was no way to protect it from the elements.

Recognizing the need to have an adequate fire station and ambulance base, the community rallied to the cause. Volunteers were recruited and partnerships were formed. Through these efforts, the ACE Fire Association accumulated over 1,000 hours of volunteer assistance and another \$60,000 in donations and matching funds. Rural Community Assistance Program funding helped the ACE Fire Association finish the project. Were it not for the \$30,000 investment that this program made for this project, it would not have been able to be accomplished and folks in southern Cassia County would go without fire protection.

In closing, I want to quickly address one other partnership that has been very successful, and that is the National Fire Plan Economic Action Program. Operating in a form similar to the Rural Community Assistance Program, the program provides small grants to small businesses in community economic development efforts to find alternative uses for small-diameter timber and other fire fuel materials.

In this area, where the cost of fire suppression and damage due to wild fire is reaching in the billions, the Economic Action Program, EAP, is a cost-effective way not only to build rural economies, but also make the prevention of wildfire an affordable tool and strategy in addressing fire issues.

With that I would conclude my testimony.

Senator CRAPO. Thank you very much, Mr. Miller.

Mr. Birdsall.

STATEMENT OF JIM BIRDSALL, BIRDSALL AND ASSOCIATES

Mr. BIRDSALL. Thank you, Senator Crapo.

Mr. Chairman, thank you for this opportunity to offer public testimony concerning an extremely important subject, as you have indicated, that discussion being the health and vitality of our rural communities.

Just for context I wanted to let you know that I have been working in the community development arena for the past 28 years. I should divulge, however, that I do not have an academic background in this field. My experience has all been on-the-job training working in the rural setting. I admit the fact that I have done this for such a long time may not speak well for my intelligence, but it does provide me with some pretty good perspective on the subject. It also gives a person plenty of time to question whether or not they are doing any good, and having had a chance to roll that question around a little, I have concluded that people like myself and others are, in fact, making a difference.

This holds true as well for the rural helping programs that many communities utilize. I would like to spend the next few minutes offering my insights about some of these programs, especially in terms of what is working well.

I am sure that you are aware—you have already indicated that the list of programs is not too awfully long, but there is more than one Federal agency offering assistance in rural areas, and the time available to me does not allow meaningful discussion about all of these opportunities. Therefore, in this testimony I would like to use some of the rural programs of the U.S. Department of Agriculture to illustrate my thoughts.

The menu of USDA community programs contains some great examples of well-established initiatives. Some of these, in my opinion, help form the backbone of assistance in the areas of housing, infrastructure, business, and community facilities development, and their value is well documented.

However, I would like to spend my time here discussing two perhaps less well known programs. I am referring to the Rural Business Enterprise Grant, or RBEG, and the Rural Business Opportunity Grant, or RBOG, programs. Although they are funded at smaller levels than their cousins, these two programs have a certain spark that sets them apart and dramatically increases their value to rural communities.

The quality I refer to is that of flexibility. I have witnessed both the RBEG and the RBOG serving in an early role in community development endeavors. Examples of this might include strategic community planning for business development or feasibility studies also involving specific ventures. I have seen RBEG play a critical

role in supporting early operations of small business parks and in discovering new ways to bring risk capital into the rural business development equation.

The underlying difference in these programs is their ability to have great flexibility in meeting local needs. They can be part of the front end of community development work, or they can play a role in the actual implementation activities. This niche is one that few other public programs can operate within. This quality is invaluable for rural towns.

I wish that I had some way to capture the difference I see in people's eyes, the difference when they are empowered to pursue their own community strategies; the difference when they are supported in putting their heads together to figure out local solutions. The difference between that kind of scenario and that of meeting strict program guidelines in order to receive a grant award is really stark and dramatic. I also wish that this spark of empowerment could be infused throughout all rural community assistance efforts. I don't think such an idea is that far-fetched.

For instance, a little later on today, you may hear about the Inland Northwest Economic Adjustment Strategy, or INEAS. As you know, Senator, this is a blueprint to address severe economic distress in targeted counties across the four Northwest States. The local capacity-building model that RBEG and RBOG programs represent would find a welcome home within the INEAS concept. These qualities are transferable to other locations and programs as well.

The other obvious thought that I should mention is to consider increasing funding levels for the RBEG and RBOG programs. These initiatives receive fairly low levels of funding, and any increase would, in my opinion, be money well spent.

In my concluding remarks, I don't want to leave the impression that I am suggesting to just throw more money at programs. My emphasis is on being very strategic with adequate funding levels. The RBEG and RBOG programs are great delivery models for achieving that balance, and I also think this notion fits well in the rural setting. Today, more so than ever, rural communities are not asking for a handout. They could use a leg up.

Thank you.

Senator CRAPO. Thank you very much, Mr. Birdsall.

[The prepared statement of Mr. Birdsall can be found in the appendix on page 66.]

Ms. Herring.

STATEMENT OF CARLEEN HERRING, REGION IV DEVELOPMENT ASSOCIATION

Ms. HERRING. Good morning, Senator Crapo and staff representatives.

Senator CRAPO. Pull that mic a little closer to you.

Ms. HERRING. Thank you for the opportunity to be here today to share the Idaho experience with Project SEARCH, Special Environmental Assistance for Regulations of Communities and Habitat. My name is Carleen Herring, and I am here this morning on behalf of Region IV Development Association where I am the Economic Development Division Manager. We are an economic development dis-

trict serving the people of the eight counties of south-central Idaho with offices in Twin Falls.

In 1997, as a member of the House, Congressman Crapo conceived Project SEARCH to demonstrate how a relatively small amount of Federal funds could greatly benefit rural communities. Discussion continued on the proposal until 1999, when Senator Crapo was finally successful in securing funding for Project SEARCH under the authority of the Independent Agencies Appropriations Act.

The program was intended to show that a simple process could be used to get Federal funding down to the smallest governmental levels without excessive technical assistance or red tape. Originally envisioned as a demonstration project for the State of Idaho—championed \$1.3 million of EPA's budget—the program was to address small towns in Idaho and provide them access to funds to help them address infrastructure issues that were the result of Federal legislative actions. It would help resolve problems for which other funding sources were not otherwise available.

The focus was to assist communities with less than 2,500 residents in meeting their wastewater infrastructure needs. The program targeted these communities because they generally have small operating budgets, only part-time staff, and lack of financial reserves so critical to compete for the normal public sector financing programs.

On the administrative side, Region IV Development Association was selected to implement Project SEARCH. As a 501(c)(3) non-profit, we ended up being the primary recipient of grant funds.

We embraced Senator Crapo's vision to help small towns and designed a process that would be easy to use by communities with limited administrative capacity. We created a process where the funding decisions would be made by a panel of local elected officials facing the same kinds of problems.

The application consisted of a two-page outline describing the proposed environmental project with the reasons why the community believed that their town qualified. The criteria included such things as having exhausted traditional methods of funding—bonding; local, State, and Federal resources—or that they have experienced an unexpected problem or expense in implementing or starting their project; or that it was needed to comply with Federal or environmental statutes or public health requirements.

The applications were then screened by a citizens' advisory committee comprised of representatives from each of the six State-designated planning regions. The members for that panel were identified by the local Councils of Governments representing each region.

To demonstrate the timeliness of implementation and show how effective the program was, EPA awarded the grant in late August 1999. Notice went out to all the Idaho counties and communities with less than 2,500 people the first week of September that year. Additional notice was provided to the Association of Idaho Cities, Counties, Idaho Rural Partnership, USDA. Forty-seven applications were then received in November; 21 communities were selected by the advisory committee on January 11, 2000. That is getting it to the people.

Of the 21 funded applications, they ranged from a low of \$9,000 for a facility plan so that a housing authority could solve its wastewater problems to a high of \$319,000 for part of the funding for a wastewater treatment facility in a highly sensitive area.

However, the implementation was not without its tense moments. The demonstration project grant through the EPA required a 45-percent match. As previously mentioned, small communities generally cannot come up with the matching requirements for most public infrastructure grant programs, effectively eliminating their potential for receiving assistance. As originally proposed, Project SEARCH was not much different in this regard, and many applicants couldn't meet the 45-percent match requirements. To overcome this obstacle, RIVDA worked with EPA to structure the program so that each individual community would not be required but that match requirements could be pooled. The result of this common-sense approach—we easily met the requirements with matches ranging from 14 to 87 percent.

Project SEARCH was designed to be easy to apply for and as simple as possible to administer at the local level. Communities didn't need professional grant writers or administrators to successfully apply for or utilize the program. EPA was very cooperative and accommodating to work with.

We see the same potential now that the program has been moved over to USDA. Through this combination of local direction and Federal partnering, Project SEARCH enabled more direct infrastructure-building and environmental problem-solving dollars to reach the communities. Project SEARCH is not meant to replace traditional sources such as Community Development Block Grants or other programs administered by USDA Rural Development or Idaho's Department of Environmental Quality, but it was created to encourage communities to try collaborative methods to address their environmental needs.

Project SEARCH was very beneficial to 21 of Idaho's smallest communities, helping make the environment safe for the future. Small communities across the Nation need a funding source that closes the gap as Project SEARCH did for our towns, and there are still many towns out there in Idaho that need our help.

I encourage Congress to authorize funds for Project SEARCH through USDA, and we offer our experience and expertise to help in its implementation. Thank you for your time this morning.

Senator CRAPO. Thank you very much. I appreciate that review of a project that is very close to my heart. We are going to try to accomplish what you talked about.

[The prepared statement of Ms. Herring can be found in the appendix on page 70.]

Mr. Harper.

**STATEMENT OF BOB HARPER, CITY COUNCIL MEMBER,
RIGGINS, IDAHO**

Mr. HARPER. Thank you, Senator Crapo. It has been my opportunity to represent the people of Riggins and citizens in that area. It goes on for quite a ways. We are 150 miles due north of Boise right where the confluence of the Salmon and Little Salmon come together and run for 30 miles north. The main part of employment

up to 1983 was mining, ranching, and lumber. That year the mill burnt. This was one of Brown Industries' mills, and we lost a major employer.

Living wages were gone. We are back into a low income. Demographics in the 1990's shows us that we had something like 65 percent of the community was over 65. We have median income of less than \$12,000, which leaves us a very low tax base and very little money to work with. We still have all the emergency services—water, sewer, which is very important to a small community like this. Rural development has been a major concern and a major source of our funding. If we hadn't had it, we would not be where we are today.

Starting with many years ago, the old Farm Home Association, which we just paid up a 30-year note on our sewer district this month, that was a grant. It was a \$120,000 loan with a large grant. Rural Development also came up with water upgrades in 1999. We delayed ours for a year and the State brought theirs up for a year. They were going to tear up the roads and put in curbs, gutters, sidewalks, lights. We put in a main line, a 10-inch line, 6-inch hydrants, a 450,000-gallon tank, and Viox fluoridation system. This improved fire protection, it lowered our rates, the whole works. That was a \$350,000 loan to the city and a \$490,000 grant.

Public facilities—this was in 2001. The city hall was falling apart. We needed a new roof, we needed heating, we needed the whole works. The city came up with over \$26,000, and we had a grant of \$28,000 to help complete this. This was part of ADA standards that we had to redo the restrooms. We enlarged our library and at this time, the same time, we knew we needed off-street parking. Riggins was a tourist—we found a home just a block off the city limits that could be a large parking lot.

The city bought this with a loan of \$167,000, and we got a grant for \$106,000 to remodel the house, pave the parking lot. There are about 20 parking spaces there. It is now a museum and a meeting place, which is great for the city. We call it the Heritage Center. Also in that grant, we have a walking museum which has been in the works for many years. We have 21 stations all over town telling the heritage of the city of Riggins, and you can walk from one end of the city to the other now.

We also have a wellness center feasibility study which was \$325,000; the event center, which was completed. Now, Jim Birdsall did these for us; he was our grant writer. The feasibility study on that was, I guess, deemed unfeasible for economic purposes.

Anyway, we are still working our way to try to find something with a living wage. We also have a Rural Business Opportunity Grant and Overall Economic Strategy Study and a \$46,000 grant, which is still in process at this point.

The citizens of the Riggins area would like to thank Rural Development for all their help in our community, and in no way could we have done it on our own without your continued helping hand. Thank you.

Senator CRAPO. Well, thank you very much, Mr. Harper. I note that in the material here submitted by you and Mayor Zimmer-

man, there are some additional projects that you need to have some assistance on.

Mr. HARPER. Yes.

Senator CRAPO. Riggins is certainly just such a wonderful example of the benefit that some of these programs can provide to some of these communities.

Let me just start—and what I may do, I may direct a question or two here specifically, but I would really like to just toss out questions and get people to jump in. We have about a half hour, if we stay on schedule, to talk and get into the issues. We may not use all that time, but let's see what we can do.

Let me just start out by saying you all are probably very familiar with the budget climate we have in Washington, DC. I won't give you my budget speech. I sit on the Budget Committee, and we just spent 2 unbelievable weeks fighting a budget through. To give you a really quick summary, we project 10 years out. I don't know how anybody can presume to do that, but we do it. Three years ago, we were projecting over the next 10 years that we would have somewhere in the neighborhood of a \$4 to \$5 trillion surplus in the budget.

That was before the stock market fell apart, the 9/11 attacks occurred, and we became engaged in defending our homeland, as well as engaged in a war on terror overseas. We have been in two wars since then, and spending has gone through the roof on things we weren't contemplating at the time, and revenue, the economy, has gone to the toilet. Our projection now over that 10-year cycle is nearly \$2 trillion worth of deficit. It is about a \$7 trillion swing from 3 years ago in our projection of what we are looking at in the Federal budget.

In that context, we are doing everything we can to try to control spending and get out of the deficits that we are in. The projected deficit for this year is somewhere between \$470 and \$512 billion. Just to give a little more perspective on that, it is about a \$2.4 trillion budget. If you take the entitlement programs out—because they are basically on autopilot, and their spending just goes on regardless of what is happening in the rest of the world until we can get the votes to change it, and we don't have the votes to change it—that is about two-thirds.

That leaves about \$800 billion that we actually have some discretionary control over. Now, I just told you we have a \$512 billion deficit. About half of that \$800 billion is defense, and when you add homeland security into that, you get up into the 60- or 70-percent range.

My point in putting this all out is in the budget we just put together, defense gets a pretty sizable increase for obvious reasons; homeland security gets a pretty sizable increase for obvious reasons; and the rest of everything else is held to less than one-half of 1 percent growth. We are dealing with basically a flat line for everything but defense and homeland security.

What I am getting at is—we are not likely to get a lot more money in these budgets, but we are looking at ways—if there are things that are working, we should shift the money to the things that are working, and there are opportunities to shift. That is one of the things we are looking at right now to do.

As I have approached economic developments in rural communities, it seems to me that the basic infrastructure—which all of you in one way or another have talked about—is one of the key things we have to be sure our rural communities have. Maybe I need to define what that is, but in concept that it is the infrastructure necessary to be competitive and then, second, access to capital for businesses and for other economic opportunities. I am sure there is more to it than that, but in my mind that is where I am coming from, and I just wanted to toss that out to you to see if you think that I am heading down the right road.

Do I need to expand on that or define it? Where are we—where should we be focused in the broad—from the 30,000-foot level, what should we be focusing on for our rural communities in our Federal programs? Any suggestions?

Mr. BIRDSALL. That is quite a question, Senator. Maybe I could lead off with just a few comments. Again, your comments about the budget are well taken and not lost on rural communities. In fact, there is probably some fear there. In general, the rural towns I work with don't view themselves as high on anybody's radar screen, although I can say they believe they are on yours.

You have certainly done a good job of being a champion of rural Idaho, and that hasn't gone unnoticed. The communities I deal with, in general, they view Congress with some trepidation, whether rural programs, what the future might be in this current budget climate.

I do think that the issues that you just mentioned in terms of infrastructure and access to capital are extremely important, so I would support what you are saying as far as appropriate tracks to pay attention to. Unfortunately, they are not the only ones, and I don't know that one is a higher priority than another. I guess the third leg of that that I would like to mention is the ability—furthering and supporting and empowering the ability for communities to find their own solutions.

The reason I bring that up—it was in my comments about the RBEG and the RBOG programs, and I think there are others that support this as well. If you can nurture that spark of enthusiasm and empowerment, you will get more mileage for dollars spent out of all of the programs, out of the infrastructure programs, out of the business development finance programs. It is a third ingredient, that capacity building, flexibility, tapping into the creativity at the local level.

I am always amazed at the amount of creativity that you can find at that local level if you will just give it the right—

Senator CRAPO. I agree with you, and I believe in that.

Ms. HERRING. Let me also add on to what Jim was saying. We had a situation just recently where the J.R. Simplot Company gave the city of Burley the entire plant site in Heyburn, about \$15 million worth of assets. It comes back down to the two components you just mentioned: basic infrastructure and access to capital. What we have an opportunity to do down there is take that entire plant site, 270-some-odd acres, and create it into a business park that hopefully will get jobs back into that community.

As it stands right now, we have talked with USDA about using the RBEG and RBOG programs to, for one thing, get a site devel-

opment plan, strategy put together where we can figure out what those buildings can be used for, what the infrastructure is that we do have available for the sewer, power, water, natural gas.

Then take a look at what is available to finance those small businesses that we could potentially generate from the community, that whole entrepreneurial spirit that we know is available in the Cassia area, using Small Business Administration's 504 fixed-asset financing, or the 7A programs, or using USDA's business and industry programs, but trying to put together a combination of those two resources and capital for that development. Don't know if you were watching the press.

There is a new enthusiasm in that community after years of pretty much being in the doldrums, and here is an opportunity. They also recognize that because the economy's been in the doldrums, they don't have the resources to do what they need to do by themselves. We are looking at all the different partners in it, and USDA is definitely at the table.

Mr. MILLER. One of the programs administered by our agency at State government is the U.S. Housing and Urban Development Block Grant Program. In terms of programs like the HUD Block Grant Program, we could probably get bigger bang for what is already being spent on the program by adding some flexibility to the programs, at least as it relates to rural communities.

The program was initially established for urban areas, so they take a one-size-fits-all approach to how they do things and the requirements that are attached to the dollars. A lot of those requirements don't really work well with rural Idaho and just simply don't fit.

To give you an example, I will talk about the one everybody always talks about, and this might be the third rail of politics there in DC, but the Davis-Bacon Prevailing Wage Act.

[Laughter.]

Senator CRAPO. You are right.

Mr. MILLER. The cap on that is \$2,000, and that was established during the New Deal and hasn't moved upwards since then. we find that with a lot of the projects we try to put in Idaho; that regulation alone probably adds anywhere from 5 to 7 to, in some cases, 10 to 15 percent of the administrative cost. On a half-million-dollar project, that is quite a bit of money that could buy extra pipe, that could put extra infrastructure, could put another bay on a fire station, whatever the project might be on the ground.

The second thing I would urge Congress to look at is taking some of the existing programs and opening the array of projects or types of projects that could be funded under them. Let me give you an example.

The Federal Emergency Management Agency has a program called the Assistance to Firefighters Program. Excellent program. Fire departments can get equipment through this program, they can get training, they can get the special hazmat gear. Doesn't really work well in rural Idaho. It doesn't do you any good to have a new fire truck if you don't have a place to put that fire truck.

One of my pet peeves with that program or my suggestion for that program would be, at least for the rural community, to maybe open up to allow—some of those dollars could be used to even reha-

bilitate existing fire stations or maybe add to or remodel fire stations. Not to the point where you duplicate what is already being done with the USDA Community Facility Program or what can be done with the HUD program, but to address those small projects that are too small for the larger programs, but are vital needs nonetheless and need to be addressed.

Those are the kinds of things Congress should look at. If you could just figure out, maybe, how to diminish some of administrative costs that are associated with these programs, that would be a way to get more money into rural Idaho and into those rural programs without actually having to add more dollars to the program.

Senator CRAPO. That is a good point.

Bob.

Mr. HARPER. May I speak to—especially on this one. We had an emergency services building—one stall, basically, that was falling down. We went for grants, looking for some help on building an emergency with a double bay. We had two fire engines, and we had one ambulance. With the Davis-Bacon wages and all, it was going to be a \$120,000 grant. We had to do a high match on it, which we couldn't do. We did it ourselves with about \$68,000. A complete building—better than the one at Winchester for over a hundred and some thousand—and with volunteer labor. A gentleman came and took high school kids and built the building himself.

Now, we did get a grant from Rural Development to put a—it is a meeting room inside, bathrooms, this type thing. Believe me, we couldn't have done it if we went through the grant type because it was just too expensive.

Senator CRAPO. Well—

Mr. HARPER. One more thing I want to share.

Senator CRAPO. Sure.

Mr. HARPER. In a small town, one of our biggest problems that we see is that we do not have living wages. We are losing our young people. Our school is in need right now. Maybe within 2 or 3 years we could lose our school. We do not have an enrollment. The last 5 or 6 years, steadily, every kid that graduates, I would say within 95 to 98 percent leave town and go to Boise to work or some other place because all we have—tourism's fine. Tourism is great. Our rafting business lasts about 5 months a year, our fishing lasts about 5 months a year. All this money, it goes into the businesses, but it does not go into paying a living wage. We are talking about entry-level positions, \$6, \$7 an hour. It is not living wages at \$6, \$7 an hour. We are going to lose our school.

We are looking for some employer. How do we get hold of an employer that would come to a small community like ours, give us 30 jobs, living wage, \$12 to \$14 an hour, then young families will stay because they want to live there, just can't afford to.

Senator CRAPO. Oh, you bet. You have all raised very, very interesting and valuable points. Just a quick little aside. Another of the committees that I chair in Washington, DC—on a different committee, the Environment and Public Works Committee, I chair the subcommittee on Fisheries, Wildlife, and Water. We jokingly call it the fishing, hunting, and drinking committee.

[Laughter.]

Senator CRAPO. Drinking water. We do get into a lot of resources you brought up. One of the things we cover, obviously, is water, water infrastructure. I have had a bill for the last 4 years that we have been working on to try to address the infrastructure needs of our communities to support their clean water and safe drinking water systems, particularly our rural communities who don't have the economy of scale. Project Circle was a way to try to get some of that money up fast.

It is the Davis-Bacon law and the battle with urban and rural communities over the formula that has stopped that bill for 4 years. We have finally conceded the Davis-Bacon issue. We would at least like to pass the bill. Now we are fighting over the formula, but if you look at the votes in Congress—our Founding Fathers were so wise for small-population States when they established the U.S. Senate, because it is two votes per State regardless of population.

In the U.S. House—and I am not criticizing the House. It was very wise to have a population-based part of the legislature as well. If you look at where the—I have seen a map that was actually done by a phone company that has every county in America, one of four different colors, red being heavy population, then orange the next heaviest level, and then green for moderate population, and white for light population. If you look at the map of the United States colored in gradation from red to white, based on population, the east coast is red and it is pretty much red and orange, with little counties of green and white throughout there until you get to the Mississippi River. Then it starts turning green, and pretty much in the farm belt there, it turns white and it is white all the way to the coast. Then it is red along the coast again.

There are red spots. Boise is a red spot, and Tucson and Salt Lake City and Denver. For the most part, the whole middle part of the country is white. The reason I tell that is because that is how the House of Representatives votes. You can just look at that map, and you can tell the outcome of what the formula for clean water funding is going to look like. They are siphoning all the money into the red area. They battle the Senate where we try to pull it back into the white area.

For 4 years now, we have lost—well, we have lost the bill because it gets filibustered. The other thing in the Senate is there is the filibuster, and the heavy-population States can filibuster a formula change, and that is where we have this battle.

It is just interesting though. You have brought up among this panel the two key issues that have stopped us from putting billions. I sponsored the amendment to add \$2.3 billion for water infrastructure systems for our communities across the country, leaving aside the formula battle. Just put it in there. We have the money in the budget now; we have won that fight. Now we are going to go back and try to battle this out again.

I am just telling you some of the intricacies, the wars we have, to try to accomplish the common-sense things that you are suggesting that we need to do. You have given me a very good idea here—I have made a lot of notes—as to where we need to head in terms of getting flexibility for local control and flexibility in pro-

gram fund usage, and trying to address some of these questions of how to get a living wage.

Anyway, another question that I had is, getting to a little bit more of specifics now. A number of programs were mentioned here in your various testimony; the RCAT program, the small-diameter timber projects, RBEG and RBOG—I am getting good at these acronyms.

[Laughter.]

Senator CRAPO. It seems to me that what I am going to do is, from this panel and other panels that we have talked about, I am going to listen very carefully to the ones that work and where. With those that work, we can improve their effectiveness so that their scope and their flexibility are sufficient. I would encourage you to tell me if there are any others—and I don't know that you need to answer that right now—but just now or at another time, any other programs such as these that we need to pay attention to in terms of our focus in Washington to make sure they get funded. By the way, SEARCH is not funded. We are going to get it funded, one way or the other, if we can help it.

Ms. HERRING. It is one of those that works.

Senator CRAPO. It is one of those that works beautifully. Were you about to say something, Mr. Birdsall?

Mr. BIRDSALL. No, Senator. Well, I just was having a thought of—trying to think of other programs, and I will continue to try to do that. I guess I would again like to stress, maybe the concept is just to look at these programs that you just mentioned in the model, and some of the answer might be in defusing that operational model out into other programs so we are getting more mileage.

Senator CRAPO. Because these are working—

Mr. BIRDSALL. These are working very well, except for lack of resources.

Senator CRAPO. That is a good point. Well, let me talk about SEARCH for just a moment as an example, and then I want to talk about INEAS. Project SEARCH, actually, is just an idea that came up in my staff as we were struggling with this about 4 or 5 years ago, trying to figure out how to get money to some of these really small communities, 2,500 or less, that just are hammered by Federal mandates and have the same environmental or infrastructure needs, but just do not have any kind of economic base with which to address the issue.

Like you said, when you went through that, it reminded me of how well it worked. We spent 3 years fighting just to get the pilot plan done. We got the pilot project, announced it in August, and within 6 weeks or so, there were 47 applications. Within just a hair over 5 months, those applications had been reviewed, and the money was in the communities being utilized. It made a big difference for 21 communities in Idaho.

In fact, when we went back and then got the concept authorized on a national scale, when we told them how well it worked back here in our committee—the Fisheries, Wildlife, and Water Committee—Senators from other States were saying, "I want to be a part of the next pilot project." I said, well, actually the idea is we

are going to make it nationwide now. We have done that, but we have these continuous funding battles for the obvious reasons.

It seems to me that that kind of a system is needed. It was, in many cases, almost a complete drain because some communities just couldn't come up with the matching funds. Other communities could, and they were able to pool. It seems to me, for the really small communities who still have to put in the expensive systems, we need to find a way to just get the money to them without matching dollars.

Ms. HERRING. That was the case in several of those towns simply because, as the gentleman from Riggins said, having that small of a tax base or that small of population, you cannot generate the kinds of dollars you need to build a million-dollar treatment plant. Whether you are 25 people or 200 people or 35,000 people, that million-dollar treatment plant still needs to be built.

Senator CRAPO. Right. The cost doesn't change.

Ms. HERRING. It doesn't change. Welcome to Castleford.

Senator CRAPO. That is right. Well, we are going to continue fighting for that. If the budget climate were the way it was 3 years ago, I would be able to tell you we are going to get some good money into that program. The way it is right now, we want to keep these good ideas alive, and that is the range of things to look at, and I appreciate all of—

Mr. HARPER. Excuse me. Like Riggins, we are in a situation with our sewers. We have certain standards there that are higher than most places. Our system is 30 years old; we need an upgrade on it to bring it up to standards, and we don't have the money. We do have some depreciation money that we could use to match, but I know it wouldn't be big enough, and it would be a pretty sizable outlay for us. It has to be done in the next 2 or 3 years to meet the standards because we are tested two or three times a week. Just for—the water goes back in the river. Other places are not—they just have groundwater to worry about; we have the worry about the river.

Senator CRAPO. Mr. Harper, I agree with you about that even more than you might know, because I have stood in that river with about 100 other people, casting and turning for one of those salmon to come up. No, I understand. Your plight is one that is repeated dozens and dozens, hundreds of times over throughout this country in rural communities.

Ms. HERRING. Senator, one thing I would like to add to that. In funding such things, it may not be the capital expenditure with bonding mechanisms and granting resources of the USDA. It is that initial step—which Project SEARCH happened to fill—getting that initial feasibility study so the community could understand what their options were if they had a problem. Unless they had all the options, they didn't know if it was going to cost \$1.98 or \$5 million to fix the problem.

By having that little bit of the seed money to get the engineering done or be able to get the analyses completed, put that thing out to the community for a bond election or approach some of the other resources available, that is the piece that was missing for some of these smaller communities. They couldn't even raise enough dollars to get to that level.

Senator CRAPO. That is something that I have had to become educated on. I approached it by saying why do we have to put all this money into a study; why don't we just go out and build the plant? I have learned that we have to analyze and figure out what law requires, and what is the most efficient and effective ways to meet the requirements of the law, and then be able to move on. Much of the problem that small communities face is exactly, as you say, that very first step.

Let me just use our last little bit of time here on INEAS. As I believe everybody knows, I introduced a bill on INEAS last week, I believe it was. I have talked to several of the other Senators from the Northwest, and there is some significant interest. For those that aren't familiar with it, it is the Inland Northwest Economic Adjustment Strategy.

Basically, it is the rural development people from government and private sector, basically—groups working together trying to find solutions to all these problems we are talking about here. This legislation is to create a Northwest strategy and to give us the ability to have a structure behind focusing on these issues.

I am being vague about it because, to me, it is something where we want to have the flexibility to make it work and have this Federal entity that we are trying to establish by statute, have the ability to bring together the various people from the Northwest here. When I say that, it is Washington, Oregon, Idaho, and Montana, selected counties. All of Idaho is included. Then bring together the people who are on the ground doing this, have them—to have them help us identify solutions.

For example, if they come together, I hope they think Project SEARCH is a great idea and that they figure out a way to collectively help us make that become a reality, just what we do. In my mind, that is what INEAS is. For those involved with that, could you tell me your picture of what you think we are trying to achieve there?

Mr. BIRDSSL. I would be glad to, Senator. I should probably respond first. I am a member of the consulting team that is attached to this phase of that project, and, essentially, you have done a pretty good job of describing it in a nutshell, that initiative. At this point in time, it is an initiative that is focused on structuring that regional approach; taking some lessons, the good things learned out of prior activities like the timber initiative when the spotted owl issue surfaced, or like regional commissions in other parts of the United States. Although this is not either of those, it took some good lessons from those to put this approach together.

The thinking, generally, is can we be smarter as a region and work together as a region to use adequate resources to answer our problems through creativity and collaboration and, if possible, streamlining the delivery of financial resources? It does take—it is an initiative that is taking a look at systemic change in the economies of the Northwest and how do we adjust and react to those.

Senator CRAPO. As we develop a strategy, which will include a lot of things we have talked about here today, it would seem to me that this—this group—I don't know what to call it. I guess that is as good as any—would have the collective power that individual Senators—I am talking politically now, back in the Congress. If we

have the commitment of the Senators from Montana, Idaho, Washington, and Oregon, we will have bipartisan support, a focused strategy, and the ability to much more effectively advocate for the kinds of reforms and focus that we have been talking about here. That is what I, in my mind, imagine.

Mr. BIRDSELL. That is accurate.

Senator CRAPO. Well, again, I would like to thank all of you for coming. We are about out of time. We have had some really good input from you, and I appreciate the effort to get here today.

Mr. BIRDSELL. Thank you, Senator. We realize the challenges you face, and that is why we elect brilliant leaders to go to Washington.

[Laughter.]

Senator CRAPO. We will go to panel No. 2, which is Mary Pridmore and Fred Cornforth. Mary is with the Neighborhood Housing Services, and Fred is with the Community Development Corporation. This panel will focus primarily on multi-family housing, I suspect. We welcome you both here. We have about a half an hour, so if you two will also pay close attention to the time-keeper here, we will have about 20 minutes for questions and answers, too.

Let's see. Mary, you are welcome to start first.

STATEMENT OF MARY PRIDMORE, DIRECTOR OF HOUSING DEVELOPMENT, NEIGHBORHOOD HOUSING SERVICES

Ms. PRIDMORE. Thank you for the opportunity to be here today. The 515 Program is probably more complicated than we want to go into today, but it is the multi-family housing program through USDA Rural Development. They support seniors and families. Generally, in Idaho, it is 60 percent of median income, and I have provided you some information about median income. In Idaho, for rural counties that is generally \$22,850 or two people who are making about \$5.50 an hour.

Most of the portfolio of 515 properties, real estate, are owned by aging owners. They are ready to divest themselves of the properties, and under some regulations that were created by Congress in 1988 to protect the low-income population that are housed in these properties, there are pre-payment incentives that are provided by USDA Rural Development, and there are restrictions on when the owners can sell their properties. This is to protect the people that live there.

The incentive programs provide higher rates of return, rental assistance, and some other features that would benefit the owners and encourage them to stay in the property. Unfortunately, the incentive program does not match the appropriation, and I am aware of the budget constraints. The appropriations are very critical to communities. As you heard earlier, many of these people are leaving communities, the very young people. Affordable housing is very difficult to do if you make \$5.50 an hour, \$7 an hour.

There are waiting lists that USDA Rural Development has for these equity loans. One of the challenges for a developer to even be interested in acquiring or applying for new construction loans is that you have to be ready. You have to have spent money, you have to be sure your project is ready to go and prove that. Also, they compete with the red area. It is a national pool. It is a disincentive

for a developer, a new developer to try to move into this area when there is a long waiting list and the appropriations are short.

The challenge with that is, as non-profit organizations, we are resident-based, community-based. The population we serve is who we choose to serve, and so the funding available to try to stretch ourselves, to take that risk, is not there. Even if our mission is there, our opportunity for risk is very great. Sorry.

Senator CRAPO. That is all right.

Ms. PRIDMORE. Somebody told me I get too passionate about this. Average property size in Idaho is 24 units; some of them are even smaller. I provided you a map. Here is an even larger map to show how much they are dispersed.

When you were talking about the East Coast and how the red and white—some of these, as you can see, are just the palest white because of where they are located. When you compete on a national scale for funding for those areas, it is very difficult to say that you are going to compete to get the funding.

I want to interject something here because—that is not in my written testimony—just so you will understand how strongly I feel about this. I have worked with developers on the other side who were trying to sell their own homes, and one of things they have said to us is that in the Northwest, the Rural Development Office here has most fertile minds in trying to make the most out of this money. Because they do, we want to make sure that we retain those appropriations. We like to get appropriations for our folks because they are resident-based, and as a non-profit, that is what we care about, just like the mayors and the city councils.

The impact of losing these properties is critical. I have provided you some statistics, and I just want to run through those real quickly with you. The average adjusted annual household income for a particular property we picked was \$4,676 or \$390 a month. A lot of these people are on disability; some are seniors on Social Security income. For instance, a working, single mom who has one child with her has an annual income of \$12,000. She pays \$269 for rent and utilities, and the USDA Rural Development supplements that with \$302.

Obviously, she can't sustain a job as a waitress or a clerk in a small community without that assistance. This funding is absolutely critical.

We thank you so much for taking the time to hear this issue. I know you have many critical issues. This is the one we are passionate about.

Senator CRAPO. Thank you. Your passion is not only very evident, but justifiable, and we appreciate it.

[The prepared statement of Ms. Pridmore can be found in the appendix on page 73.]

Mr. Cornforth.

**STATEMENT OF FRED CORNFORTH, CHIEF EXECUTIVE
OFFICER, COMMUNITY DEVELOPMENT CORPORATION, INC.**

Mr. CORNFORTH. Thank you, Senator. It is good to be here. Our non-profit organization this year will do approximately \$800 million of apartment development throughout the West Coast. Somewhere between 10 to 12 percent of that will involve Rural Develop-

ment funding. The 515 program is a mature program that has generated many housing units throughout the United States. There are some inherent problems with it that could make it a better program.

I just noticed in my reading last night that President Bush's proposed 2005 budget has no money for new construction in the 515 program. That money is being fully dedicated into acquisition and rehab, which is a critical need as well. I was a little concerned about that because striking a balance between new construction and rehabilitation is a worthy goal.

One of the things that we have—our company has been approached, probably in the last 18 months, by six or seven owners of 515 developments, probably representing 7,000 to 8,000 units just in the Pacific Northwest alone. Many of them were poorly built, poorly constructed. They are in a decision, a valid decision, deciding whether to convert those somehow to market units, losing the current housing stock or depleting part of the housing stock.

There are really very few mechanisms in place to allow a transfer that makes economical sense to the current owner and to anyone wanting to acquire them, plus do the rehabilitation that is needed to the units as well. That has created quite a dilemma for many of us trying to figure out how to make this work.

In 1986, with the IRS Reform Tax Act, the tax credit program was created, Section 42, Low Income Tax Credits, and our company has specialized in that. We fell into the 515 program by having identified a need in the city of Emmett, and we were successful in competing on the national level, bringing about 515 rental assistance to Emmett.

The problem we ran into as you find in many federally funded programs, they are written by different people, and they are administered under different philosophies. We found a lot of incompatibilities that made it difficult, in a practical sense, to have them come to work together to achieve the goal.

One of them, in the tax credit program, the value of tax credits—one of the things that gives value to tax credits, changes every month. We have an ability in just a straight tax credit to go out and borrow additional funds if the tax credit value goes down, because usually the interest rate drops, allowing us to borrow more money. Unfortunately, there are some mechanisms that are part of the program that prohibit us from doing that, so that is a problem.

In Emmett, it was remarkable. Within about 10 minutes of having talked with the mayor at that time about the need that he perceived, we knew we had a community that was in desperate need, especially for their senior population. We hung out at the senior center over a couple of weeks, interviewed several of the seniors over lunch, and learned that many of them were receiving \$600 to \$700 a month in Social Security, but the rents they were having to pay were \$450 to \$550. They were left with \$100 a month to live on.

It made it very difficult to buy medications, and many of them skipped meals. In fact, one man told me he had been living on Corn Flakes for about 8 months since he had had to add a new prescription to his monthly costs. He is now living in one of our units and—has it already gone that quick?

Senator CRAPO. I told you it would.

Mr. CORNFORTH. It was just a neat thing to be able to see that his rent has dropped down to \$180 a month. It has been a real benefit, the 515 program has.

The last thing, and quickly, your office has been very kind to work with us, especially in the city of Caldwell, to get an exemption, but there is a gap, a population gap right now in our programs. Towns under 20,000 are served by Rural Development, and towns over 50,000 are typically served by many entitlement programs through HUD. The problem is that the towns that are in between that are in a no man's land, and there are very little funds, without exception, to see about helping the needs that those communities have identified. I still wish there was something we could do about that.

In short, and in long, those are my thoughts for today. Thank you.

Senator CRAPO. Well, thank you both very much. Explain to me a little bit—both of you mentioned the fact that these funds are competed for nationally. How does that work when you say you have to compete nationally for these funds?

[The prepared statement of Mr. Cornforth can be found in the appendix on page 75.]

Ms. PRIDMORE. Well, there are a lot of housing programs that—well, the State of Idaho does have some allocations. Our sister States—Washington, Oregon, the more populated States—have a housing trust fund that is funded. They may have layers of different funding that is set aside for that.

Here, because of the population base, the money that comes from HUD is through an allocation for the State, and then outside of Boise, and certain metropolitan areas have to compete statewide for the moneys that Fred is talking about.

In the RD program, there isn't a specific 515 allocation for the State of Idaho. There are staff members who can explain it better than me, but my understanding is in any competition where you are competing for national funds, there is a certain stage of readiness: you have to have the site, you have to have identified things that cost money. You are competing nationally, and there might be 20 units that might be available.

Say there is \$515,000 for the entire initiative that is available for new construction and accompanying rental assistance, as a non-profit developer in a State where we don't have other matching funds that we can put with it to say if you give us this, we can finish the project with this, then we need all of the money. It weakens the project.

Does that make sense?

Senator CRAPO. Yes, it does.

Fred.

Mr. CORNFORTH. The way the pointing is worded, just about anybody can get a 30, and in the past, until about 4 years ago, that was enough to get funding at the national level. The weighting of the applications at the national level are favored now toward the 100 most underserved counties in the United States, which by virtue of their designation indicates that there is a terrific need.

If I wanted to do a project in the Yukon Delta in Alaska, which we had actually looked at doing, which is \$200,000 just to do one unit, we could compete on the national level and successfully get 515 money.

I don't believe any RD staff are here. I don't believe we have one of those 100 underserved counties in Idaho.

Ms. HERRING. No.

Mr. CORNFORTH. We don't have any, so we are immediately crippled there on being able to compete against anyone else in the United States, and that is 20 points. That is really—when you consider only 60—well, 65 total and you get a 30 in the past, 20 makes a big difference and gets you into that, what we call a "kill zone" where you can receive funding.

Senator CRAPO. This is not a case of the urban areas getting an undue benefit in the formula? It is a case of the most economically disadvantaged area getting an advantage that makes it difficult for those that fall just above that?

Mr. CORNFORTH. That is correct.

Senator CRAPO. I guess what I am hearing you say is that, clearly, if we had enough budget money to put enough in to expand the pool, we could then expand the number of counties or change the formula. This is a case where we have—I was going to say a loophole. It is not a loophole, but we have a hole between those 100 disadvantaged counties and the other counties that can't compete but badly need the support?

Mr. CORNFORTH. That is correct.

Senator CRAPO. How do we solve that? Give me some suggestions.

Mr. CORNFORTH. Change the pointing.

[Laughter.]

Ms. PRIDMORE. Well, my suggestion would be to try to get an allocation for Idaho. The reason I say that is I believe that if you had an allocation for Idaho, then the most needy areas in Idaho would be reached. Another thing is, we do not have the funding allocations that some other States have. For instance, Alaska does have allocations for the natives where they get something like \$60,000 a year, when it is a good year, for residents.

Now, I don't want to minimize the issues in other States—I am a tropical person, and I do not want to live like that—or the homeless issues in Alaska, but the important thing is they do have other funding sources that take care of some things that we do not have in this State. An exploration of funding they get, by State, of the rural areas, that it might change the way that some of the allocations are done. That is just personal.

Senator CRAPO. That is a very good suggestion. You are saying we should—I know that my staff is out there making good notes on this.

Ms. PRIDMORE. I can give them anything they need.

[Laughter.]

Senator CRAPO. We should evaluate the funding matrix of the 515 dollars by State to see how they go out.

Ms. PRIDMORE. Well, the combination available, like Fred was talking about, for tax credits, home dollars—those are population-based, not necessarily need-based. Then each State allocates that.

The CDBG funding that Jerry was talking about, how those programs work together in each State and availability. Essentially, as non-profits, we don't like to aggressively compete against each other because you deplete resources.

Our organization tries to partner as much as we can with every community and every organization because, essentially, you are depleting resources if you are competing against another non-profit for funding coming into your State.

In States like Washington, Oregon, and some of the other States, special ones like Alaska, they have different funding mechanisms that provide housing subsidies that we don't have here. Without comparing that, you are not really comparing apples to apples.

Senator CRAPO. When you say different funding sources, different Federal funding sources?

Ms. PRIDMORE. Or State.

Senator CRAPO. Were you about to add something, Fred?

Mr. CORNFORTH. I like this idea of having a State allocation. Washington and California compete very well at the national level in part because the States have oriented themselves. The State housing agencies or something, Governor-appointed trust funds, those types of things have helped to attract those funds. That still doesn't get us over the hump.

Matching leverage, again reflected in funds at the national level, counts some. When you don't have any of those underserved counties, you can have \$2 or \$3 million extra in a \$5 million deal, and it still wouldn't get you to the point where you get funding. It really has to do with this 100 underserved county designation. In my opinion, that is where things are being steered away from us.

Senator CRAPO. Well, it seems to me that if you go to a State allocation—and I assume there would have to be some formula where every State had an allocation to make it politically work. If you did that, then you would probably have to have the underserved counties be a subset of the State allocation system.

Ms. PRIDMORE. Each State can designate its own underserved counties.

Senator CRAPO. Each State can do that. OK. I am learning some stuff here. I appreciate you walking me through this. I had a question in my mind. Fred, in your testimony, you talked about this funding gap between the 20,000 and 50,000 population mark, and you are right. For several years, we have just had an exception for Caldwell to try to get them past this problem.

Is the solution there—well, let me ask you. What is the solution? Change the formula? The qualification categories?

Mr. CORNFORTH. That would seem to make sense. However, the number of communities that suddenly would qualify then would grow tremendously and dilute the funds, so it is—and as I was sitting there listening to you describe your process in the Budget Committee, I began to feel just a little bit of the weight on my own shoulders of the decisions you must have to make.

This—in fact, I was a little discouraged.

[Laughter.]

Mr. CORNFORTH. I was looking for a Prozac in my pocket and didn't have one. I really think communities should be able to somehow speak of their need and present their case, regardless of their

population size. Then the objective process—hopefully it is an objective process—that is in place can then prioritize what communities are in the greatest need. Right now there is no forum, there is no voice for that group that falls between the 20,000 and 50,000 to allow that.

Somehow, communities like Twin Falls, for example, at 34,000, they are in that funding gap area. These areas should have a chance to present their case and should compete with everyone else as well. Just right now there is no forum for that.

Senator CRAPO. Tell me if I am understanding this right. For the communities between 0 and 20,000, we basically have the USDA Rural Development program; for the communities over 50,000, we have the HUD housing programs?

Mr. CORNFORTH. CDBG. In some States, a home entitlement.

Senator CRAPO. For those between 20 and 50, there is just a hole there? There are no Federal programs that apply?

Mr. CORNFORTH. Some of the staff may be able to—I believe some of them have moving population targets; they change from year to year. I don't think the staff—

Senator CRAPO. Anybody got an answer to that question? Have I got a good picture of it, or am I simplifying too much?

Mr. CORNFORTH. In regards to housing, it is 20,000.

Audience Member. Every program has a different level. Some of our programs are 10, some are 20, some are 50.

Senator CRAPO. OK.

Audience Member. Depending on the program.

Senator CRAPO. It is a program-by-program issue, but at least as to housing—

Mr. CORNFORTH. The 20,000 seems to be the problem.

Senator CRAPO. Between 20 and 50 would face a problem?

Mr. CORNFORTH. That is correct.

Senator CRAPO. Well, that completes the questions that I have. Anything you folks didn't get to say that you wanted to say? Other than this is really important.

[Laughter.]

Ms. PRIDMORE. Because interest rates have been so low for so long, a lot of people are moving into homeownership. Housing is not on a lot of people's agenda. If you look at income of those served by this program—unfortunately, housing does fall off the agenda of people with homeownership. The people who live in these communities and the people that we are talking about serving at these income levels could not buy a home with that income. I just would like to make sure that that is clear. I just can't tell you how much we appreciate the time.

Senator CRAPO. I am glad.

Mr. CORNFORTH. A lot of rural communities want to stay rural. You have to be there a while to really get a sense, because you will have some visionaries that are speaking almost as prophets that could be stoned at any time, talking about wanting economic growth or additional infrastructure that will lead to growth. Some communities don't want to grow. They have the desire to stay the way they are.

This is strange because it is usually—I am finding this trait in rural communities that are near larger towns. For example, in

Caldwell, we had a lot of Rural Development-sponsored homeownership take place probably in the last three—I am just going to pull a number out of my mind—around 600 to 700 homes that were made possible for first-time home buyers mostly to get a home.

For example, take Caldwell out of that. What happens is there is a lot of pent-up demand that homeownership can only happen through the Rural Development program. That pent-up demand ends up getting pushed into some rural communities that don't want to grow or they don't have the infrastructure in place to be able to support it.

Now, if you get a town like Caldwell—and I am not here to beat Caldwell's drum. It is just I am most familiar with it. They spent a lot of time and now have the money, now have the capacity to serve quite an increase in their population base. We are seeing a little bit of a slowing in homeownership there simply because now we are going to notice Wilder, Middleton, Parker, Homedale.

You are seeing this ripple effect that is going to cause these rural communities to lose some of their rural nature, and some of them don't want that. Then you have this pent-up demand, too, of homeownership and a desire to own their own home. It does create a bit of a confluence there in intersecting trends, but that—thanks for listening.

Senator CRAPO. You have very clearly identified some of the dynamics of this issue as we move from urban to rural as far as achieving the goal of homeownership in this country. In fact, as you were talking, I was thinking about my own feelings as a kid growing up in Idaho and not wanting anybody else to move in here and get all of the population problems but, on the other hand, wanting to have a really strong, vibrant, dynamic economy. It is a conflict that we continue to deal with.

Let me just conclude by saying, to come back to your point, Mary, I believe—everybody, almost everybody, believes, too—that affordable housing and homeownership is one of the core parts of the American dream. It is one of the things that gives people the ability to get their hand on that ring and start economically improving themselves in ways that dramatically increase the quality of their lives. It is something that our Government is committed to, at both the Federal level and State level, and that we as a people are committed to.

Even for those who aren't ready to yet move into the homeownership category, to make the ability to have housing, even if it is rental housing, affordable and high quality is just one of most important parts of the quality of life in America. Like I say, it is part of the American dream. I believe it is part of what is—when I talked earlier about what is needed in our rural communities for economic development, I believe that homeownership is part of infrastructure.

We didn't get into it in as much detail as I should have with the previous panel, but at some point today or in the near future, I would like to put together a really good definition of what we mean when we say infrastructure. It is roads and bridges and schools and health care and access to the Internet and all sorts of tech-

nology needs that we have there, but it is also homeownership, and it is affordable housing.

I have been in parts of Idaho where I have actually had the privilege of meeting people who were in some of the housing units that we were able to help them gain access to. They let us come into their homes and see what they have. It was a really remarkable thing. I don't know how many of you would just let some Senator come into your house and look at it and see what a Government program was providing or what it was facilitating.

To look in the eye of somebody—well, I can tell you. The look in the eyes of the lady whose home we were in just tells you what you are talking about, what you are dealing with here. I can understand your passion and the passion of everyone who is involved in it. I can assure you that in our focus on trying to figure out what to do for our rural communities, Rural Development is going to have a homeownership component in it, very solidly in place.

Well, it is 5 minutes to 12. We are supposed to be breaking at noon for lunch. We will excuse this panel, and we will recess until 1 o'clock.

We will recess for lunch, and we will resume here at 1 o'clock. Thank you very much.

[Whereupon, at 11:55 a.m., the subcommittee recessed, to reconvene at 1 p.m., this same day.]

AFTERNOON SESSION

[1 p.m.]

Senator CRAPO. We will resume the hearing. I can see our panelists already know we are ready for panel No. 3. We welcome you all here. Panel No. 3 is John Lane of the Clearwater Economic Development Association; Mike Field, the USDA Rural Development State Director, Ron Williams from Mountain View Power, Inc; and we also have with us Mr. Steve Thorson of Forest Concepts. I don't know if you were all here this morning when I gave my iron-fisted speech about sticking to 5 minutes, but we have a timer here, and we are going to hold you to your 5 minutes for your presentations, and then we will engage in some discussion.

Mr. Lane.

STATEMENT OF JOHN LANE, BUSINESS FINANCE SPECIALIST, CLEARWATER ECONOMIC DEVELOPMENT ASSOCIATION

Mr. LANE. Thank you. Thank you for inviting me to attend today. Clearwater Economic Development Association, CEDA, serves the five counties of north central Idaho. My role at CEDA is to operate and administer small business finance programs. Our total capital base at this point is approximately \$2 million. Funding for that is a combination of USDA Economic Development Administration funding, USDA Rural Business Services through both the IRP and the RBEG programs providing funds.

The DPA and the IRP programs primarily focus on gap financing. That fills a small niche in the market where we provide a small amount of financing relative to the total project, typically a third; two-thirds from either the bank or owner in combination thereof and one-third CEDA dollars. These borrowers are typically relatively strong in most areas but have some deficit in relation to normal banking guidelines to prevent the bank from doing the loan

without the gap financing. These programs, as I said, do fill a niche in the market. They work quite well in that niche, and I would encourage continued funding for those.

We also offer microloan programs. We have two tiers of lending, one 10,000 and under, and one 20,000 and under. Our RBEG program dollars fund the 10,000 and under projects.

There are several unmet needs and challenges in our market area. It is common for banks to refer projects to us that are in the area of the \$35,000, which is over our microloan amount, yet small enough to make it less than profitable for them to pursue the loan either through in-house loans or, particularly, when they need an SBA guarantee and they get flagged for the borrower. The gap is actually between \$50,000 and \$20,000. The amount they typically go after is \$50,000; our microloans end at \$20,000.

We also have another unmet need in our market where, because of constraints on the USDA IRP program that we operate in cities outside of 25,000 population and up, we have some problems serving our largest community, Lewiston. Regardless of the economic development of the individual project or the economic need of the economic need applicant, we find it very hard to serve that niche.

One of the major areas I would like to emphasize is we have a wealth of entrepreneurial people in our region who have products or services that typically would capitalize on the emerging markets and technologies that are targeted by the RBEG program. Due to the need for flexible repayment structures, the existing programs don't necessarily meet the needs. What I would propose would be a program with a more flexible repayment structure similar to an investment capital type program.

However, one must recognize that the typical investor type program doesn't meet the needs of these small businesses, primarily because they are looking—these small business owners want to remain the owner of the business. They are not looking for a partner. These small business owners are focused more on keeping their business in their community and hopefully improving the economic condition of those around them, as compared to your normal investor is going to be looking for rapid and high return on investment. The two fall into conflict. A program that simulated investment capital, operated through EDC, funded with USDA dollars to focus on rural business development would be the best combination.

Another need we have in our area is for technical assistance for these same individuals. An example would be, we recently assisted several businesses through an RBOG, a Rural Business Opportunities Grant. We found primarily that the program ran short in time. We ran out of dollars before all the needs were met. We had some success with a particular participant and had we followed up with them better, or had the resources, I should say, to follow-up with them better, we may have been able to better help them in the long term. Whereas, what happened was several of their needs were unmet because they, the business owner, didn't necessarily recognize it as a need, didn't ask for help from the Small Business Development Center.

Had we had a better ongoing program developed to help these types of businesses, we may have been able to maintain what gains we did make with that business. We need consistent funding on es-

tablished time lines for business development, and the best programs are the RBEG and RBOG programs for funding these because of flexibility.

Senator CRAPO. Thank you very much. That 5 minutes goes by way too fast.

Mr. LANE. Yes, it does.

Senator CRAPO. I would say, Mr. Lane, in reviewing your testimony, you have a lot of good organizations and very good suggestions.

Mr. LANE. Thank you.

[The prepared statement of Mr. Lane can be found in the appendix on page 77.]

Senator CRAPO. Mr. Field, you ought to be feeling pretty happy with the programs you are administrating then.

Mr. FIELD. I am pretty happy.

Senator CRAPO. Thank you for making the effort to be here with us.

STATEMENT OF MIKE FIELD, STATE DIRECTOR, USDA RURAL DEVELOPMENT

Mr. FIELD. Mr. Chairman, I am pleased to be here today to talk about our programs in Idaho. I have a formal written statement and a copy of our annual report that I would like to submit for the record along with my oral testimony. I know that you have responsibilities across the Nation, and we are certainly glad to have an Idahoan as the Chair of this important subcommittee which addresses forestry, conservation, and rural revitalization.

USDA Rural Development is committed to the future of Idaho. We have three main programs—jobs, housing, and infrastructure—all of which help to build the fabric of rural communities.

We provide a variety of both single and multi-family housing options for rural residents. Our housing programs provide housing for low-income families and seniors. Our self-help program allows families to build their own homes and create sweat equity in the process. I know that you had the chance to visit one of these properties in Kimberly. In fact, you laid some subfloor that day; is that correct?

Senator CRAPO. That is correct.

Mr. FIELD. Most areas in Kimberly are not just building equity in their homes, but also equity in their community. As USDA Rural Development, we are interested in creating economic opportunities as well as improving the quality of life in rural America.

We have concerns about our aging multi-family housing portfolio. We are at the point where we need to rehabilitate existing properties or build new ones. In Idaho a large percentage of our properties are 20 years old or older. Outside consultants are currently conducting a study of our properties across the Nation, and we look forward to discussing the findings with the Congress upon completion. Safe and sanitary housing for rural families is the core of our housing program.

Our community facility and rural utility programs help to build infrastructure. There are few rural residents in the State who don't benefit from these programs. Whether it is delivering safe drinking

water to a school or building a fire station or almost everything in between, we can make it possible.

We are also very proud of our business and cooperative loan program. As you are aware, the building we are meeting in today was built with the help of Federal, State, and private funds. Ashley and Katrin Thompson have created new hope in their community by investing in its future. We are glad to be a part of that by working with Farmers and Merchants State Bank to guarantee the Thompsons' loan.

There are several other programs I would like to mention. They are also important tools for economic development in our State. I am speaking of our distance learning, telemedicine, broadband, and electric program. Through these programs we have linked rural clinics and hospitals to larger regional health care facilities, thus providing more medical care in rural areas.

Southern Idaho has one of the best broadband networks in the Nation. The Syringa network was partially funded from loans from USDA Rural Development to rural communication providers and cooperative. The Syringa network will provide rural communities the same economic advantage that the railroads provided to rural communities in the 1800's.

This past year, the Coeur d'Alene Tribe received the largest connect broadband grant in the Nation. This grant allows the tribe to provide high-speed Internet service to all reservation residents and will link critical public services such as police, fire protection, and health care on the reservation.

Senator Crapo, I have the opportunity to work for one of the best outfits in the Federal Government. We would not be able to provide our programs without the help of our partners. Today you are hearing from some of them. We want to take this opportunity to publicly thank those we work with to bring economic opportunity and improved quality of life to rural Idaho communities.

We also want to thank the Idaho Congressional Delegation for their continued interest and support for USDA Rural Development programs.

Last year I traveled with one of your staff members to a meeting in Twin Falls on a renewable energy farm bill. When we discussed rural communities in our State, we observed that the towns that were a long distance from one of our major cities seemed to need more economic help than those communities within a reasonable commute distance.

As we talked about what USDA Rural Development could do to help these isolated communities, as he put it, that anything we can do to assist homegrown entrepreneurs would be beneficial. Our Business and Enterprise Grant Program and Intermediary Lending Program, both of which are delivered through our partners through cities and non-profit corporations, are designed to facilitate private business development through entrepreneurs. To be successful, these first-time or expanding businesses need technical assistance to help them put together a feasibility plan to assist them in evaluating their business. We will continue to work with our partners to look for additional sources to fund needed technical assistance for these entrepreneurs.

The Small Business Development Centers in the State could provide technical assistance if they had the manpower. Any suggestions you may have as to how we might find additional technical assistance for these start-ups would be appreciated.

USDA Rural Development is working with a broad coalition of partners for solution to the dairy problem in the Magic Valley. We are happy to report that through the renewable energy title in the Farm bill, a renewable energy grant was made for all three. We hope this will be one of three projects that will come online this coming year.

In addition, we are working to provide partial funding for a feasibility study in the Magic Valley to look at the prospects of forming a generating co-op to collect methane, generate power, and sell the electricity to produce additional revenues for the dairy and main street businesses in the Magic Valley.

I know that I have given a quick overview, but rest assured that we are here to serve rural Idaho. Our team of qualified professionals want to thank you and your colleagues for your continued support of our programs. On behalf of myself, USDA Rural Development, and the Secretary, I thank you for the opportunity to testify at this field hearing and will be glad to answer any questions you may have.

Senator CRAPO. Thank you, Mike. Thank you for being here, and for all the work you do to make this a success.

[The prepared statement of Mr. Field can be found in the appendix on page 82.]

Ron.

STATEMENT OF RON WILLIAMS, VICE PRESIDENT, MOUNTAIN VIEW POWER, INC.

Mr. WILLIAMS. Senator Crapo, it is good to be here today. You probably remember me in other roles with other clients——

Senator CRAPO. I know. I did a double take there for a moment.

Mr. WILLIAMS. I am one of the owners of a company called Mountain View Power. We recently won the bid to build a 165-million-watt power plant that replaces a facility that Idaho Power wanted to build. That has taken us into energy development and renewable energy development as well.

There are just two points I want to make. I have a written statement that goes much further in some of my ideas and concepts, but one of them has to do with conventional power developments in rural communities, and the other with the rural development, the biogas possibilities that Mike Field just talked about, because we are involved in that as well.

On the conventional power side, we won a bid at Mountain Home because Mountain Home was an economically distressed community. They wanted the investment in their community that Middleton and Canyon County didn't. We worked with the city to locate our power plant in the industrial park. We had to beat Idaho Power's own construction group to win the bid. We told the city, we can't win the bid unless you give us a good reason why we can be here, because our pencils aren't that much sharper than theirs.

The city said, We will take a real serious look at forming an urban renewal district to capture the property taxes that are linked

to the power plant; take some of the bond money to offset some of the infrastructure costs of the industrial park. The industrial park now wins because it has high-quality gas lines, transmission lines, sewer and water service, and a steam production facility here so they will be able to sell their industrial park to other industrial uses. Meanwhile, the urban renewal district also reaches into downtown Mountain Home, again, if it gets formed, and revitalize that, again, for more business and development.

It really was a partnership that was struck between us and a community, a rural community, that wanted a power plant as opposed to one that didn't. One of the wrinkles—we had to actually change an Idaho law. It is a bill that changes how utility property taxes—they were centrally assessed and apportioned out. Now they are local property tax revenues that just stay there. There are a lot of other communities that might have the correct variables to be smaller-scale power generating communities. Heyburn comes to mind as one, the Simplot plant that just closed.

While peaking plants are not great job producers, they do provide very significant property tax revenues. Mountain Home is going to receive \$400,000 to \$500,000 annually, just property tax revenues related to the power plant. It is really a win for them and what they wanted to do.

The second part that Mountain View Power is getting involved in is renewable energy. We are looking at some wind investment opportunities with Mr. Field and Commissioner Kjellander from the PUC. We have been asked to actually do a feasibility study on producing power from biogas from animal waste. We are still waiting to hear if all those pieces come together, but that project is going to be driven on, what we think, will be by some additional incentives or investment incentives that are going to be needed.

There are bills tonight in the legislature to provide investment tax credits that will help it in the renewable energy area. I know that the Federal energy legislation that you are considering also has a matching tax credit for renewables and provisions that ratchets down the Federal credits and State credits, so in essence the State credits would go into the U.S. Treasury. That should be looked at.

Bonneville was also looking at funding a portion of the feasibility study along with their nonwires group. Idaho Power and Bonneville are both very transmission constrained. You are familiar with the concept of avoided costs. That is a generation concept that we really need to take a serious look at, formulating the concept for avoiding transmission cost. If we can locate generation next to a large pumping station, using biogas energy, then maybe there should be some transmission investment in this and other locations because we don't have to build facilities. This may be the best way to get the money out to that kind of generation without it being taxpayer dollars.

Senator CRAPO. Thank very much, Ron.
Steve.

[The prepared statement of Mr. Williams can be found in the appendix on page 94.]

**STATEMENT OF STEVE THORSON, BUSINESS DEVELOPMENT
DIRECTOR, FOREST CONCEPTS, LLC**

Mr. THORSON. Good afternoon, Senator. My name is Steve Thorsen; I am the Business Development Director for Forest Concepts, LLC. We manufacture patented environmental erosion control devices, bank stabilization, and endangered species products from small-diameter timber. I appreciate the opportunity to appear before this hearing today.

Because of your strong leadership, we now have the Healthy Forests Restoration Act of 2003. You are to be commended for your negotiating skills, tenacity, and floor managing skills in moving that mess forward. I watched it on C-SPAN, and it was quite an artful process.

Senator CRAPO. Thank you.

Mr. THORSON. Let me start by providing some background. When the Boise Cascade Mill closed in May 2001, we determined that an opportunity might exist where we could fill the gap by harvesting small-diameter timber, creating local jobs, and returning the products to the landscape as a biodegradable product. We embarked on a healthy public/private partnership with the U.S. Forest Service, the city of Cascade, and Valley County.

A Fire Plan Grant was received by the city which enabled them to purchase a building in the industrial park on the south end of town. Forest Concepts received a Fire Plan Demonstration Grant to build and install various structures in the local area. We moved into the city's building, started paying rent, and commenced operations. After extensive lobbying, the agencies approved our products for utilization.

We procured our log supply through the U.S. Forest Service on timber sale contracts. I thought our efforts culminated best in our joint media event that you hosted last summer in Cascade, where Federal agencies, State and local government, industry, the environmental community, and yourself all came together to recognize the Federal unlimited quantities contracts and support the pending challenges ahead.

We assumed this was going to be the beginning of a very healthy public/private partnership that would go on indefinitely and create numerous jobs in Cascade, and I just want to take a little side issue here to thank the people here from the Boise Forest—Ron Julian and Dick Smith, Julie Thomas in the Sawtooth, and a number of others, Mike Stewart, the mayor—because this was truly a community effort to try to pull this together.

Since that time, Forest Concepts has spent nearly \$500,000 creating small diameter products and creating jobs in rural communities, including in Cascade. In addition to our own personal, private investments, we have received approximately \$250,000 in Federal research grants and contracts for product development that is getting us off to some other new products that we are going to be working on. So far, however, the returns to investors have been negative, and the number of expected jobs created has been far less than expected. While the agencies have endorsed these products, they have not fulfilled the expected public/private partnership by also becoming a viable customer. Without their participation as a

customer and support, the small businesses will not likely survive and prosper.

So far, really, other than in the Boise Forest, nothing is really happening on the ground. The beginning of the next fire season is only about 60 days away. If a significant thinning process is actually embarked upon under the new legislation, what happens to the resulting logs?

The agencies indicate our products are too expensive. That is because we are buying their logs and trying to pay a living wage to our employees. They also indicate we cannot compete with straw wattles, which is not surprising given that straw wattles are subsidized by \$25 a ton by the California Rice Straw Commission just not to burn the straw. Further, the Local Government Advisory Council to EPA has taken a position that it will oppose burning the small-diameter timber thinning on the forest lands because of the Clean Air Act.

The USDA is proposing new programs to use logs as a method of creating methanol, but that technology may well take 5 to 10 years to develop and require huge Federal subsidies to cover research and development. Finally, the Forest Products Laboratory spends millions on research, but few products make it out to the marketplace.

Perhaps a better interim environment would be a program for the agencies to earmark or mandate to commit a percentage of those funds to be used by small-diameter manufacturers to fill that intermediate gap and to create hundreds of new jobs. However, this would also necessitate the agencies stepping up to the plate in a partnership and cooperative manner and buying and using the products.

We also need the local citizen representatives, Conservation Districts, Resource Advisory Council, and other local agencies to speak out that we need to use local round wood materials and local labor in our local market. One more sentence. Forest Concepts and the city of Cascade are not alone in this bind. Small wood companies through the West are facing the same reluctance, that Federal agencies will walk the walk, but they are not actually talking the talk. They are talking the talk, but not walking the walk.

We need your help and continued leadership in Congress if we are going to solve this issue and make this into a viable and profitable industry. I have another letter that I have already submitted to you that I would like to make part of the record, if that is OK.

Senator CRAPO. That is very fine. Without objection, that will be admitted.

Well, I thank all of you for this testimony. Mr. Lane, let me start with you with a couple questions. First of all, again, I note that your testimony is very well organized, and you have identified a number of concerns and promoted some solutions which we will pay very close attention to. You are knowledgeable of both the USDA and the SBA business plans and programs; right?

Mr. WILLIAMS. Yes. Fairly well.

Senator CRAPO. Can you just give me a snapshot? Are they duplicative? Are they overlapping? Are there holes in them? Do we need both? How do they work?

Mr. LANE. Well, they are definitely not duplicative. They complement each other often on the same project. In some instances, particularly in the most rural areas, we are banging our heads because of uncertain collateral values, which is again driven by the market and their ability to resell the property. We found that in order to get the bank to make the loan, it takes both CEDA participation to get the financing and they go after an SBA guarantee on their portion, on the bank portion.

The structure of our gap financing product is similar to the SBA 504 program in that part of the money comes from the bank, part of it comes from CEDA, and part from the owner, in similar amounts, even. However, we typically take the smaller end of scale as far as loans go. SBA is doing the larger projects; we are doing the smaller ones.

Our microloan programs, because they are funded with grant dollars, allows some flexibility on the smaller loans. The SBA loan program, I investigated, exploring that for CEDA, and decided not to pursue it because basically the SBA microloan program requires that the CBC guarantee the loan for the most risky borrower, which is pretty tough to do given the amount of work that goes into those microloans and the return on investment.

I am told by those that operate them, it just doesn't—the SBA microloans loaned through the CBC just don't amortize, and they end up using principal to pay it back. Whereas, our microloan is funded by grants; we are more apt to take a riskier stance. The money is revolved. It is a win-win for everybody.

Senator CRAPO. How much business development opportunity do you believe is simply being lost because we don't have adequate access to capital?

Mr. LANE. In our particular area during the last 6 months, I have had 130 inquiries for funding. Not that those would have turned into projects. I would say the top 5, 10 percent of inquiries end in projects, so getting an actual dollar amount would be difficult. I can tell you that of those 130 inquiries, 19 of them were for requests between \$20,000 and \$50,000; nine of them were a better fit for investment capital than a loan; and 11 were located in areas that we are not able to serve either because of population restrictions or economic condition restrictions put on by the Federal funders. The result is that 30 percent of those inquiries didn't make it past step one because they didn't fit a program that we had to offer.

Senator CRAPO. Either because of the size of the loan or population or geographic location of the business?

Mr. LANE. Yes. There is another 12 percent that were just totally dismissed for borrower issues.

Senator CRAPO. OK.

Mr. Field, first of all, let me again thank you for the great work that is being done under your leadership. Also in your testimony, you did a very thorough job reviewing your written testimony, as well as going through the programs and some of the individual successes that we have had in those programs.

Can you tell me—at the outset, I talked about the tight budget times that we are facing right now. If we are going to have to make priorities—and I am not suggesting that we are going to not fund

anything. If there are some areas where we need to put our emphasis in terms of the programs you administer for the purposes of rural revitalization, can you highlight what do you think are the cornerstones that we should focus on?

Mr. FIELD. Certainly. First of all, I would like to thank you for recognizing Rural Development and our contribution to economic development in our rural communities. I can't accept any of that praise because it is really on the part of our employees in the agency and also our partners' participation and support. It is just fun for me to be there and try to be that enthusiastic spark plug on some occasions. They are the real pros here.

It is a very hard decision because all of our programs work.

Senator CRAPO. That is right.

Mr. FIELD. All of our programs work and every one is important to different segments of the rural community. For me to say what is most important—

Senator CRAPO. I know that wasn't a very fair question. There are all these people behind you waiting to see what you are going to say.

[Laughter.]

Mr. FIELD. Sometimes I ask my employees, I say, OK, do the jobs we create, do those fuel the houses that then fuel the need for infrastructure? Or do the houses we build increase the jobs that fuel—where does this egg take us?

I guess they are all very important for us and for our communities. I do think there is a big need in the start-up entrepreneur side of things. If there is something we could focus on, could we get some more funding through RBEG or IRP programs through the lending program to help start-up folks? Because it is not the communities close to Boise and Twin Falls and Coeur d'Alene.

There are people there that live in rural communities, they are working, there is income coming. It is those isolated communities that are too far away to do the work in the larger areas. If we can grow some entrepreneurs in those communities, three or four a year, whatever, with small loans that are administered through the economic development agencies, with some technical assistance to help those folks be successful, that is one we should probably do.

Senator CRAPO. Thank you.

Mr. Williams, you brought up a number of important things. You discussed specifically the efforts in animal waste and bio-energy, alternative fuels, and renewable fuels. As I am sure you are aware, that is an area I have been very interested in. In fact, I was instrumental in getting the animal waste amendment added to the Farm bill so we could qualify with them for some of our alternative energy sources.

Do you think those are working at this point? Let's assume that we are able in the energy bill to extend the tax credits and have the tax credits apply. Is that sufficient? Is that going to do what is necessary to boost these types of fuels?

Mr. WILLIAMS. Senator Crapo, my gut reaction is to say no, that probably won't be enough when I look at the animal waste. The tax credits probably won't be enough to bring wind into a competitive position. That is one that is on the cusp of being price competitive with new generation, and utilities are starting to change the way

they look at wind. In California, wind is actually more predictable, in a capacity standpoint, than hydroelectricity. There is a lot of hydroelectricity in California.

Senator CRAPO. I would believe that.

Mr. FIELD. We are trying to get anemometers up across southern Idaho in inexpensive sites to do that. The FCC has towers, utilities have towers. So far, everybody is telling us no, we can't use their towers. That would be nice if we could, but that is probably not something you want to mandate.

On the biogas, my gut reaction—and we are going to do the feasibility study to answer that question with collections of money from different pots. We were asked to do that. Initially, we don't do feasibility studies, we do projects. They asked us to do this one, to take greenfield concepts to final completion. There are some real institutional barriers right now in the markets.

The last one just occurred to me reading Sunday's paper because what if we—you need a long-term power sale agreement to finance this, to give the security that is needed. All of a sudden in Sunday's paper, I am reading about a dairy cow farmer that says, if I lose my water, my animals are gone in a few days.

Well, I have a 10- or 20-year contract with a fuel source that is tied to some other resource that could be gone in a week's time. We didn't do that in our feasibility study—and it is tied to the resource—that is going in to also look at water availability. There are so many variables out there, we are probably going to have to do more to quantify and assign an economic value to the environmental costs that aren't being picked up right now in the Magic Valley for this thing. People don't recognize the environmental costs that people right now are paying, but we are going to do our best to inform them about that.

Senator CRAPO. In terms of these various alternative and renewable fuels which are in various stages of being able to economically compete, with the exception of wind which may be on the cusp and might be put over the cusp with the tax credits, what is it that we need to do for the others? Do we need some type of additional subsidy? Do we need to have feasibility studies? Do we need to have a financing program that—

Mr. FIELD. The financing for feasibility studies is in place. We are probably going to need some subsidies initially to get the systems working and the pilot projects up and running so we can better understand what is going on. These subsidies can be as direct as through Mike's department. I also think it can be indirectly, if the utilities can buy into the concept of paying and avoiding transmission costs.

Looking at these 1- and 2-megawatt generating plants located for peak demand of local transmission that they are not having to buy, it is like buying conservation. I don't think the utilities are going to buy into that.

Senator CRAPO. Thank you.

Mr. Thorson, again, thank you for your testimony and for all your work trying to make this work out of small diameter timber. We are not done fighting yet. You raised some interesting points. As I talked to both of the earlier panels, and we will get into it, building up the infrastructure in the rural communities is one of

the key things, and we need to define what that is. We talked about a few extra things here like power and—well, actually the tax policy came up on a few of these things.

You raised another aspect, Mr. Thorson, and that is the Federal Government through its policies can also help to generate markets for products through, for example, a requirement or some incentive in the Federal purchasing programs to purchase small-diameter timber products to accomplish the environmental and economic purposes of our Healthy Forests Restoration Act. Or I can think of some other ideas that might come. There are Buy America proposals. Maybe we should have Buy Rural America proposals or something like that. Could you expand on that concept a little bit?

Mr. THORSON. Yes, Senator. Thank you. When we first came here, part of this was about creating infrastructure—and I don't want to steal Mike Stewart's speech because he is going to speak in a little bit. We came here with the idea of being their anchor tenant. If being an anchor tenant could then generate other kinds of wood products jobs that would come to this industrial park, they could then get the infrastructure they needed to form an industrial park and do those kinds of things. We came to be a tenant and not to essentially own that.

The problem we have had, as you well know, is we have gone through an extensive lobbying process to get the products approved, going through all the regulations and so on, which was accomplished. We got to this public/private partnership that we all felt so strongly about, and so far it just hasn't materialized. Now, if they had some incentives to make that materialize through procurement—we are not asking for subsidies. We just want them to procure this and put it back on the watershed and complete the watershed cycle.

If that can happen, that gives us a base market from which we can go forward with all these other river restoration products that we are doing. We did a big project up at Coeur d'Alene; we did a big project out here at Tamarack where we put in 18 river restoration logs with school kids. It then follows, but you have to have that base thing to come to a small community and hire good people and keep them sustainable.

Senator CRAPO. Well, that is a very important aspect of all this because the Federal Government through its procurement process does have a significant ability to impact markets and to establish or facilitate markets. On the one hand, there is the need to get the best price for the objective that is being sought to be accomplished; on the other hand, there are social and environmental objectives that we are demanding that we achieve at the Federal level, not the least of which are environmental objectives and policy objectives in the management of our forests that require that we utilize the small-diameter timber.

Reaching those kinds of balances on the policy side, it is important to point out, as you did, that that has an impact on our rural communities.

Mr. THORSON. As I said last summer when we had our media event up here, we spent the year before \$140 million on restoration products. We had 1 percent of that market off those 20 jobs in Cas-

cade. It is that kind of incentive. We are not talking about wanting the whole marketplace; we just want a niche for where we do well.

Senator CRAPO. That is right. Given the intense battle over policy in our forests, it would seem to me that that is a reasonable approach to market these ideas that are going to help these rural communities.

Mr. THORSON. Well, you are going to have to find something to do with the logs if you are going to thin.

Senator CRAPO. Well, they don't want you to burn them.

Mr. THORSON. No.

Senator CRAPO. Let me just conclude with this panel by going to something that all the panels have talked about a little bit. I discussed earlier the notion that it seems to me—and I really want you to help me either flesh this out or redirect it if I am not focused, or refocus it for me. It seems to me that in the broad sense, as we look at what needs to be done for economic development in our rural communities, that again building up the infrastructure so the infrastructure is in place and then making sure that access to capital is in place are the key two big pieces of it.

We have talked about a lot of other pieces. We have talked about making sure that local solutions and flexibility and empowerment are a part of the programs that are implemented; we have talked about housing; we have talked about power; we have talked about tax policy as it facilitates some of the economic decision-making that will be necessary as we move forward here with regard to building up infrastructure or creating markets, and about doing what we can at the Federal level in the procurement process and generating markets.

Am I approaching it right? Are there things that I am not picking up? When I say infrastructure, in my mind, I am talking in a broad sense—education, health care, transportation, water quality, air quality, power, housing. I am sure I am leaving out some glaringly obvious things. Those things that are necessary—oh. There is broadband. Those things that are necessary for an entrepreneur to be able to access a market with a product or a service. Am I heading in the right direction? Any suggestions?

Mr. FIELD. Well, let me take a stab. We have a very active partnership with RD—Rural Development partnership in Idaho. They have taken on to try to—and I am not going to steal Dwight's thunder either. They have taken on the tasks that were pointed out by the Governor's task force on rural Idaho. We have the majority of the tools that we need, and I am a rural kid myself. I look at it from that perspective.

If anyone wants to be a success, there has to be a spark plug. There has to be a bang, somebody in that community that really wants to see something happen there. The Thompsons were a spark plug here in Cascade. Somebody has to take that risk.

We have to—well, it is two parts for me. To help folks that facilitate—help those folks that do have vision, and then help those communities that don't have vision to gain it. Because you can't help the community that doesn't want to grow. If it doesn't want to grow, there is no amount of government programs you can give to it that would make it any different, so education is a very important part of the rural revitalization effort across rural America.

Senator CRAPO. Very helpful.

Ron.

Mr. WILLIAMS. Senator, I would just like to echo Mr. Field's comments. Our success in Mountain Home was related to a couple of key people. One of them was Ron Swearinger, the Economic Development Director, who just wouldn't let this thing die, as it died four or five times, and really was instrumental in saying we want you to win that bid, and we are going to invest in that—your bid. There was definitely leadership on their council and their investment in an Economic Development Director who was willing to work on something for 3 or 4 years without knowing if it was going to work or not.

Senator CRAPO. Good point. Anything else?

[No response.]

Senator CRAPO. Well, again, let me thank you all, not only for your attendance here today and your presentations, but also for your very excellent testimony, which is going to be very helpful to us. We will excuse this panel, and we will call up our next panel.

Senator CRAPO. This next panel is going to focus a little more specifically on—well, I hope they are going to focus on—I am not sure what they are going to talk about, but I hope it is on the Healthy Forests Restoration Act.

[Laughter.]

Senator CRAPO. If you came here to talk about something other than the Healthy Forests Restoration Act or the small timber business development issues, feel free to go into whatever it is you wanted to talk about.

[Laughter.]

Senator CRAPO. While the panel is taking their seats, I want to correct an oversight that I made. We have with us our—what is your formal title?

Court Reporter. Court reporter.

Senator CRAPO. Our court reporter, Sue Wolf, from Boise who is here to record these proceedings. Sue is a new resident of Idaho. Relatively.

Court Reporter. Two and a half months.

Senator CRAPO. Well, we welcome you to Idaho. We welcome you to Cascade, and we thank you for all of your good work here for us today.

Court Reporter. Thank you.

Senator CRAPO. This panel is made up of Joyce Dearstyne of Framing Our Community. How are you, Joyce? Dick Smith of the Boise National Forest; Phil Davis, Valley County Commissioner. I had my page turned over here. Our first one on the panel here is Mike Stewart from Cascade Forest Resource Center. Mike, even though I said your name last, we are going to have you be the first, so why don't you go ahead.

STATEMENT OF MIKE STEWART, FIELD DIRECTOR, USDA RURAL DEVELOPMENT

Mr. STEWART. Well, welcome again, Senator, to Cascade, my hometown. On behalf of the city and myself personally, I want to thank you for all the work you have done in the past to help us address unemployment, catastrophic wildfires, and restoring forest

health in rural Idaho. Under your leadership, getting the Healthy Forests Restoration Act passed last fall was critical. The work done by you and your colleagues in Congress has been most appreciated here.

I realize we are preaching to the choir here, but it seems our message still hasn't gotten through to some.

Cascade is the perfect place for this hearing. It is a typical rural community that has seen the economic ups and downs that go with being tied to this Nation's resource industries. It has been almost 3 years now since the closure of the Boise Cascade mill—a closure that company officials blamed largely on the uncertainties of timber supplies on Federal lands.

Though we weren't necessarily prepared for what happened, we have survived the loss of the mill and its \$4 million payroll. Since then, though, we have seen a dramatic shift from a resource-based economy to one that embraces recreation and tourism. Short term that is good, as just about every construction worker with a tool belt around here is working right now. Long term, those good-paying jobs are going to be replaced by low-paying service jobs. What we need here are family wage jobs that are part of a diversified economy. We have had all of our eggs in one basket before—that is, the Boise Cascade basket—and we don't intend to repeat that error by putting them all in the recreation and tourism basket.

More help is needed to develop sustainable rural economies based on biomass and small-diameter timber as tens of millions of acres of forest land across the West are treated. In Cascade, as in many areas, we have almost entirely lost the infrastructure—there is that word again—to deal with the biomass.

Senator the HFRA was a very positive step in the right direction, but more help is needed for the innovative small businesses to take the lead with new ideas for using that material. I disagree with the oft-heard refrain that with passage of the HFRA, "the job is done." That has quotes around it.

First off, the \$760 million authorized has not yet been appropriated. Second, the bill mentions only \$5 million that is specifically directed at rural areas in a category called Rural Revitalization Technologies. There is another \$5 million that is authorized in a category called the Biomass Commercial Utilization Grant Program, but combined, that is just more than 1 percent of the total authorization. Granted, everyone will have a right to tap into that \$760 million, but right now rural areas are at a disadvantage when it comes to the economic capital needed to rebuild that infrastructure.

In addition, of that total authorization, only \$80 to \$100 million can be considered "new money." Again with quotes around it. Most of it will be shifted from existing programs, some of which have proven valuable in the effort of restoring forest health.

For example, Economic Action Program funding has been zeroed out in the National Fire Plan's 2005 budget. The EAP money is very flexible and a very valuable source of help for small business. Last week—I don't know if you saw it—Alaska Senator Murkowski issued a statement bemoaning the loss to her State of EAP funding.

Another piece of legislation that a coalition of community-based forestry advocates will push for this year is revival of a bill co-sponsored a couple of years back by Senator Larry Craig and others—the Community-Based Forest and Public Lands Restoration Act. While some aspects of that legislation were ultimately incorporated into HFRA, some were not.

One thing that was left out was creation of Restoration and Value-Added Centers proposed for small communities around the rural West. That proposed bill focused on small businesses and gave them contracting preference on an annual escalating scale.

Senator you are aware of the size of the problem—it is huge—and the scale of the work needed to solve it. That is also huge. From my perspective, we can approach it a couple of ways: using large corporations, using small business, or a mix of both. Referring back to my eggs-in-one-basket comment, there is stability and flexibility in small business, and I much prefer that approach for Cascade.

Federal agencies also need to walk the talk. You are well aware of the Forest Concepts story, but here is another example. We have seen a number of new Federal buildings around here in recent years. While the cost effectiveness of heating those buildings with wood chips, for example, may be iffy, new technology is making it more feasible all the time. Alternate sources of heat and construction methods using small-diameter timber in areas that are rich in those resources should be considered.

Last, Senator, we need an energy bill, one that includes transportation subsidies for biomass. Several good projects in this region presently aren't viable because of the high costs associated with the haul. Projects that would use the material that has to be removed anyway from the forest is going to be removed by burning—which we are not hearing good things about—or another disposal method. We might as well put that material to good use, create some jobs and economic activity, and also recover some of the costs of forest health restoration.

Senator thank you again for holding this hearing. Again, I thank you for all you have done for this area in the past, and I hope you can carry this message back to Washington, DC.

Senator CRAPO. Thank you very much, and some good points there.

[The prepared statement of Mr. Stewart can be found in the appendix on page 100.]

Joyce.

STATEMENT OF JOYCE DEARSTYNE, DIRECTOR, FRAMING OUR COMMUNITY

Ms. DEARSTYNE. I would like to start by thanking you for the opportunity to testify today about how rural Idaho communities are addressing economic development needs and how the Healthy Forest Restoration Act does and does not help in our efforts. My name is Joyce Dearstyne, and I am the Director of Framing Our Community, a community-based forestry non-profit organization located in the Clearwater Mountains of north central Idaho.

Our focus today is on how Framing Our Community programs facilitate the utilization of low-value timber in the production of val-

ated wood products and how HFRA will assist us in accessing these materials to use for business development while reducing the extreme fire hazard in the national forest that surrounds our community.

This will be accomplished through the development of value-added wood products manufactured from small-diameter, standing-dead, and diseased timber that result from fuels reduction and defensible workspace projects. Urban, niche, and emerging consumer markets were researched. Then businesses were identified that would utilize the available low-value timber to manufacture desired wholesale and retail products. They include timber frame buildings; rustic and high style home and office furnishings; round pole structures and bridges; custom doors, windows, and moldings; and quality gift items.

The most important product that the incubator will sell is Framing Our Community's story about how our rural community is using forest restoration and fuels reduction projects to improve the health of the forest and the health of the community. HFRA, multiyear agreements with the BLM and the Forest Service, used in conjunction with categorical exclusions and stewardship contracts, will facilitate FOC's "Jobs in the Woods" program which trains unemployed workers in methods of forest restoration and fuels reduction. The University of Idaho and FOC will spearhead a pre-planning and monitoring process that brings diverse and often opposing groups to the table to help plan and monitor projects.

At the local level, we expected HFRA to be a silver bullet that would reduce fire hazards, interrupt insect infestation, and create opportunities for employment. What we have found is that, as requested, we will play a bigger role in the management of our surrounding national forest, and that with work, and in time, there will be opportunities for local employment. We learned that categorical exclusions do not apply to areas that are well into the NEPA process and are not the quick fix expected to eliminate the danger of catastrophic fire.

Under the Communities at Risk definition, larger population centers are targeted to receive the majority of the funding, and small rural communities will have limited funds to work with. Our Nez Perce Forest has a Class 1 fire condition because we have yet to miss a hundred-year fire cycle when, in fact, we have the highest fuel load in Region 1, and the million-acre fire of 1910 started outside of our town and burned to the Canadian border.

We applaud Congress for enacting HFRA because it promises to be an important tool that FOC will use to treatments necessary to reduce the potential of a catastrophic fire and create economic stability for our rural community. With the extreme fire hazard and poor economic conditions that we face, we urge you not to stop there. We need you to pass further legislation like the Community-based Forestry and Public Lands Restoration Act that will allow rural communities that are on the front line to build the infrastructure necessary to reduce fire hazard on public as well as private lands.

To this end, we urge Congress to appropriate funds for HFRA so legislative actions can get on the ground; develop a method of fund-

ing, interaction, and coordination of efforts among the Rural Development, Forest Service, and BLM; set in place mechanisms for non-profits to build capacity, purchase equipment, and train workers for available jobs; fund the EAP program.

This year FOC applied for a National Fire Plan EA grant to help purchase equipment that would create from three to four jobs in fuels reduction and forest restoration work. This work would have been completed for \$1,000 less per acre than it costs the Forest Service to effect. We needed \$66,000 to complete this purchase, but because the funds for the entire State were zeroed out, we were not funded. Now those jobs may not happen, and our fire hazard will not be diminished.

Create restoration and value-added centers that are located in communities that are within or adjacent to national forests. Pass legislation that provides funds to communities with populations under 5,000. Infrastructure, like equipment and building construction; capacity building, training and tools for towns and organizations to become self-sufficient; product development, technical and financial assistance directly to small and microenterprises in the form of grants, revolving loans, or lines of credit to provide access for the growth or start-up capital.

Our hope is that you will help us in this effort and take the next steps necessary for creating rural economic development and getting work done on the ground.

[The prepared statement of Ms. Dearstyne can be found in the appendix on page 103.]

Thank you.

Senator CRAPO. Thank you very much.

Dick, we welcome you here. Go ahead, please.

STATEMENT OF DICK SMITH, FOREST SUPERVISOR, BOISE NATIONAL FOREST

Mr. SMITH. Thank you, Senator Crapo, for the opportunity to present this testimony on behalf of the USDA Forest Service. The President's Healthy Forests Initiative and the Healthy Forests Restoration Act of 2003 will help us improve the health and vitality of the national forests and may also provide economic benefits to many rural communities, just as the previous two testimonies have indicated.

I would personally like to thank you for your efforts in helping us, as Mike Stewart mentioned, in getting this legislation passed. It is a definite asset and tool for us in the Forest Service. The Healthy Forests Restoration Act provides the tools for the Forest Service to address the problems where our forests have become overgrown and unhealthy and to address the threat of fire and fuel buildup in order to reduce the risk of private property lost to wildfire. It will take active management and lots of hard work to treat lands that currently need help. Mechanical treatment and prescribed burning are the two primary we have at our disposal.

Prescribed burning is a valuable tool but cannot be used in all situations. Factors such as high fuel loading, air quality restrictions, weather, and risk of fire near communities can limit its use. That leaves us the mechanical treatments, such as thinning crowded stands, as another very valuable and necessary tool. In order to

fully implement this tool, we need to overcome the higher costs associated with its use, and also the dilemma of how to dispose of the significant quantities of standing-dead trees that we need to remove to improve both the health and fire security of our community.

In addition to the existing authorities already available to the Forest Service, HFRA also addresses the economic and community developments implications and challenges of handling the small-diameter materials. Mr. Chairman, as you know, the focus of the administration's efforts in implementing HFRA to this point has been largely focused on Title I, which focuses on treatment of fuels on public lands.

Plans are underway, however, to develop the other authorities, like the authorities that Mr. Stewart spoke to earlier. These other authorities addressed by this legislation may provide a foundation for rural community development opportunities. If we can make progress, add value, find markets for this small-diameter materials, we can offset the high cost of mechanical treatments, dispose of small-diameter material, and hopefully assist communities that are dependent on these natural resources.

Section 201 of HFRA amends the Biomass Research and Development Act. Forest Service research and development has a comprehensive research program currently underway to look at forest biomass assessment, management, harvesting, utilization, processing, and marketing. These efforts are in their early stages and are being led largely by our Forest Products Laboratory in Madison, Wisconsin.

The Forest Products Lab is a world leader in developing new technology and uses for wood products, and it is actively exploring new opportunities for using small-diameter materials. These research programs are exploring new opportunities for utilizing small-diameter material and technologies to help business operators to become more efficient and environmentally friendly in their operations.

Section 202 of HFRA, Rural Revitalization through Forestry, will help communities and businesses create economic opportunity through the sustainable use of the Nation's forest resources. While the key to this will be largely centered in the private sector, the likelihood of success is greatly expanded with our active participation, both of the U.S. Forest Service and our partners in our State forest programs.

The Forest Products Lab, as I have already mentioned, works closely with many of the non-profit and for-profit organizations that are working on community development throughout the Intermountain West.

One promising development for the use of biomass is the Fuels for Schools Program, and I will just use that as one of many examples that we hope can help us in dealing with this small-diameter material. The Fuels for Schools Program is a cooperative effort involving the Forest Products Lab, Forest Service State and Private Forestry, State foresters and local communities. The aim of the Fuels for Schools Program is to promote and encourage the use of wood biomass as renewable natural resource to provide a clean,

readily available energy source suitable for use in heating systems in public and private buildings.

Removing hazardous fuels from our forests by developing a viable commercial use for some of the small-diameter material is necessary to effectively implement HFRA. Using wood biomass as a renewable energy source, such as for heating schools and public building, makes good sense. The first Fuels for Schools project is currently in operation in Darby, Montana, and additional projects are being considered for Idaho.

In conclusion, I would like to say that we are working hard to address the threats to the health of our forest. The President's Healthy Forests Initiative and congressional passages of HFRA have provided us with new and valuable tools for accomplishing this work. In Idaho we are making good progress on developing community-based County Hazard Mitigation Plans across the entire State that will identify activities and treatment needed for reducing wild land fire threats to homes and communities.

While there is much that still needs to be done, we are working with Governor Kempthorne's Idaho Rural Partnership to find additional solutions that will benefit rural Idaho. We feel that the treatment and use of this thinned material presents both a management challenge to us, but also a potential economic opportunity for rural America.

Thank you.

Senator CRAPO. Thank you very much, Mr. Smith.
Commissioner Davis.

STATEMENT OF PHIL DAVIS, VALLEY COUNTY COMMISSIONER

Mr. DAVIS. Well, I would certainly like to welcome you to Valley County. It is my pleasure to do so today.

Senator CRAPO. Thank you.

Mr. DAVIS. You have picked a nice day to show up.

Senator CRAPO. Too bad we are inside, right?

Mr. DAVIS. It is. Yes, sir. I also am going to talk about the Healthy Forests Restoration Act, and I was going to start my comments with all the catastrophic circumstances of wildfire, and then I got to thinking, why would I want to do that? You made the same argument much more eloquently in the Senate when you were arguing on behalf of this, only you that had the visions of Southern California burning in the background, and how could I match that?

There is not much point of bringing up the downside of catastrophic fires, but what I do want to visit about is the opportunity, hopefully, with this Act to mitigate those fires or prevent them as much as possible. The hope is this bill will give us the tools that we need to stop those catastrophic fires which threaten our homes and watersheds.

Obviously, one thing that will depend on this is funding, and that has been addressed already and we do hope that the appropriated funds will be allocated to implement this.

Also the Healthy Forests Act, I will hope, will bring back local decision-making. Over the last number of years, we saw quite a lot of decisions on public lands being made in Washington, DC, which is not the most efficient decisions. You will get a lot more comprehensive benefit by local decision-making.

Under this Act, also, I would like to talk a little bit about the gridlock we saw prior to this Act and hope that this Act will somehow alleviate that to some extent. Part of that will be—with direction from Congress—into directing the field line officers regarding biological assessments, and the Forest Service biologists will need to be directed to reexamine the threshold which may affect how determinations will be evaluated.

One other addition to this bill that is so valuable, I feel, is the evaluation and no-action alternative. I have sat in many commission meetings with Forest Service people looking at the alternatives, without the opportunity of saying what is the opportunity of doing nothing and what will the result of that be? Maybe the best part of this Act and maybe the lack of active management will now finally be addressed, and I appreciate the fact that you were able to get that into this bill, where we can at least evaluate that, because the true State of the environment at this point is very important, I feel.

I would like to talk a little bit about the history of the Forest Service and the 1908 Act. I don't feel that anything with the responsibilities and goals of the Forest Service has changed because of this. The responsibility and the goals of the Forest Service, in my mind, has always been for the local community and the watershed that is dependant upon that.

Gee, that is quick.

Senator CRAPO. Everybody thinks we run a fast clock on them.

Mr. DAVIS. I can't get past the fact that Forest Service is supposed to work for the benefit for local communities, and we do have the Gregg-Wyden Bill, H.R. 2389. The goal there is to get back actual receipt, and somehow we have to do that. Besides a healthy forest, we also have to have some economy off the National Forest. What we have seen since the mill shut down, which we talked about, was devastating to families due to the socioeconomic of this. Somehow we are going to have to get some infrastructure. I know we were talking about infrastructure before. Somehow that will include some way of utilizing the biomass, the bottom of the forest to burn it for heat, but also for boards. You certainly can do that. I am hurrying as fast as I can.

We need cooperation between the Forest Service, with County oversight from—excuse me. We need cooperation between the counties and the Forest Service with oversight from the congressional delegation. I know we have been assured of that. We always have in the past. We have risk assessments. We are just about to finish fire risk assessments.

I know your staff has offered to come in when we get that, and we will coordinate with the Forest Service, and we will talk about how we implement that in conjunction with the Healthy Forests Act. I know we don't have a complete understanding of it, and I know your staff wants to come in and help us out with what your vision of that bill was, and so we are looking forward to that, although we don't have the tools in place yet.

[The prepared statement of Mr. Davis can be found in the appendix on page 108.]

I could probably quit any time. Did you ding that?

Senator CRAPO. Time is up. You are finished. We will get into some discussion here anyway. Let me, first of all, thank this panel. We felt this Healthy Forests Initiative issue was significantly important enough to have a specific panel on it.

Let me just start out this discussion, just give you a little perspective. Many of you followed the debate that we had in Washington over this, and I believe several of you in testimony today said that Healthy Forests Restoration Act was a very good Act but should not be perceived to be the end of the fight or the ultimate solution. Believe me, we understood that very well.

This bill focuses primarily on giving us a paradigm in which to move forward in some of the easier aspects of forest management, some of those dealing with protecting against wildfire and insect infestation. It doesn't, in my opinion, even reach into the—it starts to get into, but it doesn't even reach, as it should, as our policy should, into the question of logging, commercial logging on the forest.

Now, we are going to be talking today about how we can get commercial utility out of the activities that this bill opened in the forest. The bill focused on protecting against wildfire and protecting against insect infestation, and did not even get into the whole arena of—what I am getting at is the whole arena, because it is important, of how we need to start reforming our approach to forest management with regard to commercial activities.

I will state once again for the record that I believe that we can very effectively manage our forests and have very vibrant forests in perpetuity and still have meaningful economic activity on the forests. There is a lot that this bill didn't get into. What this bill did was set up a new approach to decision-making about forest management. Even with regard to the issues which it did get into—insect infestation and fire management and those kinds of things—it was limited in acreage and in time and in dollars.

Frankly, one of the most important parts of this bill, in my opinion, is going to be that as it is implemented, it is going to show that those who were—the naysayers who were saying these are the environmental catastrophes of the decade, we are going to destroy all the forests, we have eliminated all the environmental protection, we are conceding to those who want to go in and destroy our forests, it is going to show just the reverse. It is going to show that the improved policies and procedures that we put into place to allow us to start making and implementing management decisions actually can be done, done effectively well, and in a way to protect and preserve our forests.

Now, at the same time, as many of you have pointed out, those of us who managed this bill—I was fortunate. It just happened to land in my subcommittee. This subcommittee, the one I am serving on, had jurisdiction over this bill, so we got to write the Senate Bill. As we did so, we wrote it in a way that also focused on rural revitalization and the economic potential that could be obtained, even from this first step into returning to good forest management decisions. That is why we talked about small-diameter timber and some of the other things that are going on here.

With that having been said, I want to just say at the outset that I absolutely concur with what has been said by many on the panel

today that this is not the end but the beginning of our efforts to move back into rational forest management policy; and that we need to be sure we have the adequate funding, whether it be from the overall funding authorized, the EAP funding, or the other aspects of this issue that need to be addressed. In difficult budget times, I consider this to be one of the priorities that I will fight to make sure we get adequately and fully funded to the full extent of the bill.

Where I would like to focus is a discussion on where we are right now, and maybe I would start with you, Mr. Smith, because as you indicated in your testimony, at this point the Forest Service has been focused mostly on centralization and Title I. I understand that as a new bill is passed, it takes time for the Forest Service to gear up and implement the new policies that we have put into place. However, there is a serious amount of frustration out there.

The concern for the communities that are impacted like this one or Elk City or others, is, A, will we get from the implementation to actual projects occurring in the forest and occurring rather quickly? We need to see some of this—we need to see action on the ground. Second, what about all this effort to focus on the economic potential that can be obtained here if we do it properly, such as the effective utilization of small-diameter timber? Would you like to take a stab at that?

Mr. SMITH. Sure, I will take a stab. From the standpoint of activities and things getting started, let me share a couple of numbers. These are national numbers. From the fuel treatment standpoint, we are going from 1.4 million acres of treatment last year to 1.6 million acres of treatment this year.

We are proposing and planning, hoping to get to 1.8 by 2005 and 2 million acres by 2006. I can assure you from the standpoint of the Forest Service, this has probably been the No. 1 topic of discussion we have had since HFRA passed as to how we can do exactly the question you are asking and somehow see some measurable results on ground. That is where we are heading on that side of things. That is moving forward.

The other component is we realize that the dollars we receive strictly for fuels treatment isn't the only answer. There are a number of other tools. Commercial timber sales are one. Stewardship contracting is another. Partnerships with rural communities are another vehicle that we hope to be able to expand those acreages of treatment even beyond those figures I just shared with you.

As far as it relates to the economic development side of things, what I do know has happened is this particular year, we had the good fortune of having our appropriations bill passed prior to HFRA being passed. For example, there are some new provisions in HFRA that you will see nothing in the 2004 appropriation for because, again, it was passed before. In our funding mechanism, unfortunately, we already submitted our 2005 budget, so that has some room to be modified by Congress, obviously, as this year unfolds—

Senator CRAPO. We intend to do that.

Mr. SMITH. I expect that.

[Laughter.]

Mr. SMITH. The point—from the internal agency standpoint, we are working hard right now to get—we are in the process right now of formulating our 2006 budget, and we are looking at getting both policies in place and getting funding mechanisms in place for the rest of the provisions.

Senator CRAPO. Could you tell me—and I know this is potentially putting you on the spot, and you may not be able to answer this. How does what you just said translate into, particularly, the projects that you were talking about? The acreage expansion and a couple of other things quickly, how does that translate into action in Idaho as soon as possible?

Mr. SMITH. I can share some numbers off the Boise because I know it quite intimately, so let me share a number there. From the standpoint of the same acreages, we are going from 4,000 acres to 9,200 acres of treatment between this year, 2003, and 2004 this year. We have almost doubled on the Boise National Forest.

The numbers you are asking for, Senator, we are actually in the process of compiling those. We have an interagency group that is working very effectively between Idaho Department of State Lands, Bureau of Land Management, and the Forest Service. If you like, I would be happy to share those numbers when we get them, probably within the month.

Senator CRAPO. All right. I would like to see that. I know I haven't let anybody else get in here yet, but we will open it up and start going back and forth here in a moment.

There was also testimony about the question of how effective our ability to move in quickly with the help of the Forests Restoration Act authorities is being implemented by the agency. In other words, are we going to see litigation, do you believe, that is going to stall it? Our effort was to forestall any kind of litigation and let us move forward. Are you seeing any potential litigation still being a threat that diminishes the effort?

Mr. SMITH. In fairness, it is an unanswered question at this time. We don't have anything that we are aware of occurring, but we are also just in the infancy of projects both under HFRA and the categorical exclusions that we mentioned earlier under the Healthy Forests Initiative. At this point in time, we haven't seen a big increase in litigation, but it is probably a little too early to say. It takes a little time to work through the legal system.

Senator CRAPO. I understand. Anybody else want to make a comment or jump in here at this point?

Mr. STEWART. I would just like to publicly thank Dick, I guess. The Boise Forest has been really good for us to work with. They have been very supportive, very supportive of Forest Concepts, and what we are trying to do. I don't know how much that spirit is lacking across the country, but I wish it would spread a little bit.

Senator CRAPO. Well, I can join with you in that. I don't know how many of you know that Dick worked for me in my office for—how long was it?

Mr. SMITH. About 7 months.

Senator CRAPO [continuing]. About 7 months as a special fellow, or whatever the title was, and did an awful lot of good work. Helped us on that side of the issue as we were trying to move things forward. We were real pleased to see him move into this role

here in the Forest Service. We know he has his heart in the right place.

I just answered your question by saying when we passed this legislation, we had a big bill signing over in the Department of Agriculture's headquarters. Everybody showed up and the President came and signed it. I can't tell you how many USDA forest officials came up to me and thanked me personally for this. I believe the attitude there at headquarters in Washington, DC., was positive and receptive toward this. They want to implement it.

That is why some of us are a little frustrated that it is not being implemented as fast as we thought it was going to. Tell them the Chairman of the committee is asking you why it isn't happening faster.

Mr. STEWART. Senator, there is one other thing I wanted to point out, and you are probably more aware of this than I am. I guess I am a rookie at this testifying thing, so I had my stuff all written up.

On Friday I heard that there was an amendment to the budget resolution of half a billion dollars for the next 2 years to help the Forest Service and BLM with their overexpenditures in fire fighting, fire suppression, if that happens. Also I understand that Senator Wyden was successful in getting an amendment through the Senate for \$340 million of new money that will help with implementation of the HFRA. Does that—

Senator CRAPO. That is correct. Let me tell you how all that is going to shake out. I will give you just a real quick Budget 101 for how all this works. The budget which we adopt—first of all, the Senate just adopted one. The House either has or will adopt a budget. Then we go into conference and come out with a conference-able budget that we all then vote on again.

Last year we never got that conference budget passed because it got filibustered in the Senate, so the House worked on its budget, the Senate worked on its budget to try to cobble something together at the end. This year, we expect that that is a potential outcome as well, but we are going to go ahead. In the conference, some of these amendments don't survive. The fact that they have made it in the Senate is good, but they were not necessarily a sure thing. If you were here this morning when I gave my little pitch on what the budget looks like right now, it is miserably difficult.

I will be very honest, there is about a half a percent growth for the entirety of all the funds, with the exception of Defense Department and Homeland Security. What the ultimate number will be I don't know, but you have to assume that something like the Healthy Forests Restoration Act doesn't have a baseline because we are just starting it. We have an authorization of \$760 million, and we are trying to get to that. Many of us will try to get to that, but I just don't know how close we can get. Those things are in the budget now. They are being fought for, and we will try to fight for them as aggressively as we can.

That having been said, once a budget is passed, whether each House is working on its own or we get one out of conference, it is, in essence, a set of numbers in categories. Then the budget is broken into 13 pieces by the Appropriations Committee, and each of the 13 Appropriations Committees gets an allocation of the budget.

The Appropriations Committee doesn't have to break it out the same way the Budget Committee did. If they do, at the end they have to come back with the same bottom-line number, but they can shift it around inside. There is another point at which you could either lose something or gain something as the appropriators do their work.

I am on the Budget Committee; Senator Craig is on the Appropriations Committee. I do my part on the budget side, and he tries to save what I have done and improve on it on the appropriations side. We have several bites at this; it is not just going to move along in a very unhealthy budget climate for a while, but you have some very strong advocates for it. Those dollars are there, but I am telling you not to spend them.

[Laughter.]

Mr. STEWART. Right. I would never presume to do that.

Senator CRAPO. Yes?

Ms. DEARSTYNE. If I might, Dick mentioned the fact that now basically there is the authorization to remove those fuels from the forest, but what do you do with them? To take from Mike, also, when you have all your eggs in one basket, as most of our communities have, we have been timber-based, we are talking about mills, sawmills, and we know that that is not going to work any longer. What we have to do is realize that any beginning has to have a driven end, and the driven end is the market. If we don't create markets for this material to be utilized in the production of different products, we are going to end up with this huge pile—

Senator CRAPO. Slash pile.

Ms. DEARSTYNE [continuing]. Slash pile sitting in the forest with nothing to do. Framing Our Community, as we were putting our program together, we watched it grow, and it ended up truly being holistic. We realized that we need to help facilitate the removal of the small, the standing-dead, and dying materials from the forest, and that we needed to take that material and find the markets where we could deliver it to and create jobs along the way. We still ended up with this pile at the end, and that is where the biomass comes in.

We need the support at the local level to be able to get that off the ground. Our community has been so decimated. Elk City is at 64-percent poverty level. At that kind of level, it is wonderful that there might be loan programs out there, but the fellow who has the idea is worried about keeping the roof over his head and food on the table. That is the last thing he still owns. There is no way he can look at taking out a loan that might lose that final piece.

We need to look at other mechanisms to help drive this so we can get these small, promising, solid—I am not saying support somebody who has had a bad history, but take these solid projects and move them forward.

Senator CRAPO. You raise a very valid point.

Dick, you are going to be the one we look to to give us a good answer on this. I will tell you right now, we have already got some directives from the President, directives to the agencies to try to purchase this material and so forth. They are not doing it, and they don't know how to do it. Part of what we did in this bill was to direct the Forest Service to figure out how. What I heard you say

in your testimony, Dick, was that you are starting that, but we are really at the early stages of that part of this bill. We have the indication.

We have a situation—Steve Thorson, on the last panel—we have been working in the community here with him for some time where the agencies could have created a market there. We did everything but go out and print the contracts for them, and they didn't happen. Can you tell me why that is not happening?

Mr. SMITH. The best answer I can give, which Steve actually alluded to pretty well, is just as Congress is driven by trying to work within a budget, we are also. Part of what happens there is we are using scarce dollars to try to accomplish as much as we can on the land, and we are also looking to find the most efficient way and the most economical way of getting that done. Sometimes that does conflict with utilizing a new product, as we discussed here. Sometimes it is just getting to be aware of it, but sometimes it is also the cost factor.

It is balancing those two and trying to spread our dollars to treat as much ground as effectively as we can with the dollars we have. That is one part of the answer as to why that is happened.

I guess the question I would raise, and Steve raised earlier on the other panel, is whether or not, from a Federal procurement standpoint, we want to build in some actual incentives that are currently not there, that I am aware of, for utilizing this type of material.

Senator CRAPO. How would such an incentive be constituted? Would it be some kind of financial incentive to the agency? If they purchase these products, they get some extra budget allocation or how would that work?

Mr. SMITH. I don't have an exact answer for you, Senator. I would think it would be more in the context of—we have some very rigid procurement regulation to ensure that we in the Federal Government are utilizing the public's money as efficiently as possible. It may be as simple as recognizing in those procurement regulations that in addition to getting the best buy for the government nickel, there are some other objectives.

Senator CRAPO. There are some policy objectives that justify that expense?

Mr. SMITH. It might be in there that—I am sure there are some folks in the Washington office that could look at that and help identify what the best method might be.

Senator CRAPO. Is there more, Joyce, to—we talked about some of the—one piece of the answer. Your focus is broader?

Ms. DEARSTYNE. Much broader. We found—and it is possibly because our size; we are only 400 now. We were 1,200 in the 1990 census, but we are down to 400 because our greatest export has been our youth and those that have skills. What we ended up doing was looking at the broad picture, because we needed to work with the Forest Service and build upon the initiative to get this started, to get access to those materials. Our forest has been pretty much a no-cut forest. We have an unbelievable insect infestation that last year was estimated at 130,000 acres. What it is going to be this year, I won't even venture.

We realized that we needed to help. Working with the Forest Service, find ways to make it sensible and reasonable to get this material out and have something to do with it. We had actually started with our small business incubator that focused on standing-dead, the dying, and the small-diameter. It was a natural fit for us to go out and say, what, there is no infrastructure there to get this out in a low-impact method that leaves the least amount of soil and vegetative disturbance.

We need to train those crews and get the equipment to do that. When we open the forest up, it becomes healthier, the trees will grow to a much better diameter, which helps the sawmill in the long run. Just producing the product is not you can end. Those products must have somewhere to go.

Senator CRAPO. You mean the market?

Ms. DEARSTYNE. What we have been doing is working with a Pacific and Inland Northwest coalition of organizations, and we have been developing urban markets in the Seattle and Portland areas; we will be moving into Northern California. Even more importantly for us, because of our distance, we are going to be utilizing the Internet, and we will be utilizing e-commerce. My little description is we are the rural Amazon.com.

You can come to the incubator web site and take your shopping cart and go to Mike's store and purchase a lamp, and go to Dick's store and purchase a table, and then go to check-out, pay for everything, be told how much your shipping is, and you will know that it will be shipped out and delivered to you just like Amazon. We had to do that because being a commodity-based town and having such a slim margin, shipping was the end-all, be-all to whether you made it or failed.

We needed to find businesses that the buyer paid the shipping, that eliminated that problem. By going to a secondary and tertiary market, we had a much better margin to work with. The other problem is, if you go back just to being a sawmill town, even if you can get the logs out, there is no commodities market. It is in the tank. It doesn't matter if you cut those trees; they are not going to have far to go.

We need to diversify. We have to make our community stronger by doing that. Our town is Forest Service and right now the sawmill, and the sawmill is on skeleton crew. That is how we ended up doing the whole spectrum. It was because of our partnership with the BLM that I ended up at the Biomass Energy Conference in Denver and talked to the gentleman in a booth for what is known as the FENCE Program. We will have a feasibility study done this May about putting a biomass cold generation plant at the district office, which is right next to the school. My hope is it will heat the Forest Service compound and the school and provide electricity to our community.

We are at the end of the grid; we are the most expensive grid for a utility. Over a 20-day period during the Christmas/New Year's holidays, we had 16 days with one or more power outages. What production we have is totally disrupted because after the power's off for more than an hour, the mill sends the workers home, and the school sends the students home, as do other small businesses. Our goal is that this cold generation plant will hold up the grid or

support the grid when our power goes off. The way the system is set up, not only will it provide heat, when it provides energy the electric gets metered back to the utility in good times; in bad times, it actually provides the electric for the community.

Senator CRAPO. Well, those are all very good—and many private sector side—pieces of the solution. Before I turn to the commissioner—because you got cut a little short on your testimony. If you want to say anything else, you are going to get your shot.

Dick, could you tell me, in the legislation as we authorized it, is the department exploring ways such as this, such as Joyce has been talking about—is the department taking—has it received a legislative charge in the legislation, as you understand it, to investigate the development of markets for utilization of these products?

Mr. SMITH. Let me address that from the standpoint of going back to the Forest Products Lab again. I don't want to say that that is the whole answer, but that is an entity within our organization, within the Forest Service, who is very aggressively looking in that area. Now, from our perspective, hopefully that generates seeds.

There is probably not a silver bullet out there that is the one solution, but we are hoping that through the Forest Products Lab, our State or private forestry branch that works specifically with communities and the private sector, that we can identify probably a number of different options, and options for utilizing that biomass-type material. I can assure you that that is ongoing as we speak.

What I can't address at this point to my satisfaction, just because, unfortunately, Senator, I don't know the answer, is where the department sits in this discussion. From the standpoint of the agency, the Forest Service, we are very much focusing on that, and we are just in the process of putting some additional funds in place. It is getting our attention.

Senator CRAPO. All right. Thank you.

Commissioner, do you want to jump into this in any way or get in some of the licks you didn't get in before?

Mr. DAVIS. If I was to bring up anything in particular, I guess it would be the cooperating agency status that a good many people have talked about, including the President. It seems that we got so far from local decision-making in the past, I guess it made us hungry to get back because we were out of the loop, as you well know.

Senator CRAPO. That is right.

Mr. DAVIS. Fortunately, the Council on Environmental Quality has been elevated to cooperative agency status for local government. I guess the other reason that comes to my mind is, over the last number of years, whenever we were talking about a solution to the gridlock that we all saw was so evident, it was typically brought up that it was the consultation process that was so difficult to get through.

Now, of course, we haven't worked with the Act, the Healthy Forests Act, enough to recognize when CEs are going to work and when they are not. I know there's a number of exemptions when they won't work. I guess we are going to try and keep your ear quite a bit and let you know how we are working through this process.

I know we are going to meet with your staff on what the envision of Congress was for this. What kind—can you give us a heads-up on that you envisioned the cooperating agency status, sections on consultation, and so we can break that gridlock?

Senator CRAPO. Yes. My vision, which I won't promise you is the one that is achieved yet, but I believe is the direction the administration is trying to take. Jim Condon, the Deputy CEQ, and I have talked about this a number of times, and I have actually held hearings in another context, as the chairman of the Fisheries, Wildlife, and Water Committee on the Endangered Species Act to address this specific issue.

My vision is that there is a significant amount of room under the Endangered Species Act, as we now have it without other agencies, to move forward in significantly expanding opportunities for State and local government to work together with them in the cooperating agency role. I know that that is the direction that CEQ would like to see the agency go. The reason I said that that opportunity is there without amending the Act is right now we just don't have the votes to amend the Act in any way.

One of my initiatives over the last 3 or 4 years has focused specifically on trying to get through the consultation process. We have concluded that that is achievable, but it is, at least in the short run, mostly achievable through administrative action. We see that moving along. It is not moving as fast as we would like to see it, but I am very concerned and very focused on it. If you don't see the kind of headway being made there that you would expect, I would encourage you to let us know because we will hold some more oversight hearings and find out why it is not happening.

Mr. DAVIS. I appreciate that.

Ms. DEARSTYNE. If I could also just mention the Forest Products Lab, FPL had received the authority to assist organizations like ours by taking some of the products and putting them on the ground. They have no funding. If they had funding, they could actually make the investment that has been put in the research, worthwhile, and put it on the ground by giving start-up funds for some material and some labor.

Senator CRAPO. This would be funding through the Forest Products Lab?

Ms. DEARSTYNE. It is through the Forest Products Lab, and they do have the authority to help with that, but they have no funds to do it.

Senator CRAPO. OK. That is another point. We will—as I said, I am working on my side, and Larry is working on his side, and we both help each other. That is something we will pay attention to.

Mr. STEWART. Senator, I would just like to echo that. The Forest Products Lab has been doing some great things. They are coming up with some great ideas for utilizing all this stuff. They are a very valuable resource. It seems that they move slow, sometimes, but that is just the nature of the beast, I guess.

Senator CRAPO. We will try to light a fire under them.

Mr. STEWART. Some of the things we have talked about—like Joyce and I have talked about these a lot. These ideas for shelters, picnic shelters made out of round wood; bridges, recreational type

bridges that are made out of round wood; and they are all potentially very great ideas. We want to see those kinds of ideas continue.

Senator CRAPO. Well, good. Well, I appreciate this panel coming forward. I will just now include a couple comments of my own, then I will excuse you to get to our last panel.

You probably all followed this as closely as anybody in America, but the legislation to get the Healthy Forests Restoration Act was interesting. We are basically in a gridlock in the Senate. It takes 60 votes to get passed any significant issue you have—that is, to beat a filibuster. It takes 60 votes to beat a filibuster. In this political climate, almost everything is filibustered, so there was little hope that we would get the bill this year or this last year. We knew if we did, we would have to get it on a bipartisan basis, and we just didn't really think that that was likely.

In other words, we didn't think that what we would get, if we gave up enough to get 60 votes, would be worth getting. We started working on it, and we had some really good negotiations with a group of Democrats who very sincerely worked with us, and we came up with a bill. We gave up a lot, and they gave up a lot, but we had something that was still pretty darn good. We only had 56 votes that we could count for sure. We did a little more tweaking and we actually improved it a little bit, and we got up to where we thought we had 58 votes for sure. We were thinking we might have 60 votes, but there were two votes we weren't sure of.

We figured we were as close as we were ever going to get. We convinced our leadership to let us put it on the floor. We said we will never get those last two votes if we don't make them vote, so let's put it on the floor and see if we can't get the 60 votes. The leadership actually scheduled it to the floor. Then the California forest fires started and we got 80 votes.

[Laughter.]

Senator CRAPO. I can tell you, from a very close count, that the California forest fire gave us 20 votes, maybe 22. Anyway, it is a tough issue. We are looking to use this legislation as proof that you can manage the forests well without gridlock, which is what we have been having on the forests in the past.

From there, we are going to expand it. While we are doing it, we are going to try to accomplish the objectives we have talked about today. I thank this panel for coming today.

Senator CRAPO. We will now call up our fifth and final panel: Karl Tueller from the Idaho Department of Commerce; and Dwight Johnson of the Idaho Rural Partnership.

While Karl and Dwight are taking their seats, I am going to announce to everybody that my schedule is so tight that when this panel is finished, I am going to have to get up and leave. I don't want you to be offended if I rush out of the room. I will try to shake your hand as quickly as I can when I leave, but they say they have a fast car waiting out there to rush me back to Boise, and we will try to get me back on schedule and back so that I am not at least too late for the next round of meetings tonight.

I just wanted to apologize to everybody up front. I don't want you to think I am being rude if I hop up when we are done and rush out of the room.

OK. Karl, I introduced you first, so you get to go first.

**STATEMENT OF KARL TUELLER, DEPUTY DIRECTOR, IDAHO
DEPARTMENT OF COMMERCE**

Mr. TUELLER. Well, thank you, Senator Crapo. One week ago today, I was in your office, actually, and you were under the weather. I am glad to see you are feeling better.

Senator CRAPO. In fact, you can probably still hear a little of it in my voice.

Mr. TUELLER. I had a chance to meet with Peter and the rest of your staff there. I am even more pleased to be here today representing not only the State of Idaho, but the Inland Northwest Economic Adjustment Strategy. This has been an effort started back in 1998, and it includes the four States of Washington, Oregon, Montana, and Idaho, as well as the affiliated tribes.

It has been evolved into what is a very unique, sustainable relationship and partnership. The group, we have done our homework. We have gone to considerable length to document the distress and its impact to the rural counties in this area experiencing the socio-economic consequences of these natural resource policy issues that affect us all. We have looked a lot at developing national plans, regional plans, and I am going to leave with you, along with my comments here, just this little handout of our executive summary about the Inland Northwest Economic Adjustment Strategy.

I don't want to spend a lot of time on that. I want to thank you on behalf of the Inland Northwest Economic Adjustment Group for Senate bill 2162. We really appreciate your leadership on this. It is a great effort. The four States, the 23 tribes, and 137 counties, and numerous community leaders that have collaborated on this project is great testimony in itself. As you know, more than half of the Inland Northwest Territory is the Federal Government's, and many of the players made their living in agriculture, forestry, grazing, mining, or recreation. For decades that has been our major economic stream. Things have changed; we have lost much of that competitive advantage, as you know, and we are struggling to regain.

You also know that rural development in the policy arena is very fragmented, not only at the Federal level but the State level. We have more programs. They are all great programs; they just overlap and it is hard to get a handle around them all. What is unusual about the Inland Northwest Economic Adjustment Strategy is it really was a grassroots effort among the States and the departments and players here to really make this happen.

I want to identify briefly three regional collaborative perspectives the Inland Northwest Economic Adjustment Strategy provides. One of those is efforts by the member States to foster cluster businesses. This is really an opportunity to help businesses that can work better together—collaboration—take advantage of supplies and training work forces and incorporating new technologies.

For example, as we have talked about today, making use of small-diameter trees, value-added food products, and renewable energy come to mind. Other clusters are emerging on national trends, including information technology, health services for rural seniors, and biotechnology.

The second collaborative network is the networking of practitioners from public agencies. Everywhere from entrepreneurs and business incubators—we really have worked hard to work with all the various organizations and entities out there, and many of them are represented or have been represented here today.

The third example of this collaborative effort really falls parallel to your Inland Northwest Revitalization Act and would create a 40-member Inland Northwest Regional Partnership comprised of ten representatives from each of the States. These partners will be active players in regional development. They have already committed time, energy, and resources. We believe that this partnership and your particular bill will provide the glue to make this synergy happen. It also ties very directly, companions with this Healthy Forests Restoration Act. You see, that is the synergy. That was giving the local forests ecosystems, and this Inland Northwest Act provides for local socioeconomic developments.

We look forward to being ready to define and expand business opportunities. It is an economic development effort, and we are going to be accountable in the sense that we can measure—in your bill you outlined—we are going to identify these 137 counties as distressed, competitive, or attainment. If we can move them all to attainment, then we will think we have been successful.

How much will all this cost? As you know, other initiatives in the past have cost billions. We don't think it will take nearly that much money at all. We know the tight budget issues. We think a range of 10 to \$12 million per year during the next 8 years will be sufficient. There will be, however, need for special consideration as other needs are quantified.

I want to thank you, again. We are very excited about the potential and the opportunity. We have collaborated and worked with many players in the Inland Northwest Economic Adjustment Strategy in supporting your bill.

Senator CRAPO. Thank you very much, Karl.

[The prepared statement of Mr. Tueller can be found in the appendix on page 114.]

Dwight.

**STATEMENT OF DWIGHT JOHNSON, ACTING ADMINISTRATOR,
RURAL AND COMMUNITY DEVELOPMENT DIVISION, IDAHO
DEPARTMENT OF COMMERCE, ON BEHALF OF THE IDAHO
RURAL PARTNERSHIP**

Mr. JOHNSON. Senator, it is a pleasure to be with you today to highlight some of the recent activities of the Idaho Rural Partnership. I am the past IRP executive director, currently the Acting Administrator of the Rural and Community Development Division at the Department of Commerce. I bring the regrets of current executive director, Sara Braasch, and our two co-chairs, Trent Clark and Roger Madsen, who happen to be in Washington, DC, today. Too bad for them.

Senator CRAPO. I will second that.

Mr. JOHNSON. It is much nicer to be in Cascade. As you know, IRP is one of over 40 State Rural Development Councils as authorized by the Rural Development Title of the 2002 Farm Bill. Based on that direction from Congress and a January 2003 Executive

Order from Governor Dirk Kempthorne, IRP has three specific duties.

First of all, we facilitate collaboration among Federal, State, local, and tribal governments and the private and non-profit sectors in the planning and implementation of programs and policies that have impact on rural areas of Idaho.

Second, we monitor, report, and comment on policies and programs that address or fail to address the needs of rural areas of the State.

Last, as part of the partnership, we facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements in Federal, State, local, and tribal governments.

To fulfill these duties, IRP has a 30-member board of directors. They are comprised of individual members representing the private sector, people that live in rural Idaho, such as Ashley and Katrin Thompson that served on the IRP board, and representatives of Federal, State, local, and tribal agencies and organizations.

As an example of some of the things we do to try to garner broad input on the current needs and priorities for rural areas of the State, we organized the 2002 Idaho Rural Summit in Coeur d'Alene last year in the summer. The audience was a very diverse mix of private and public sector people of almost 200 individuals.

They basically brought together a whole list of action items they wanted to see and then prioritized those items. Based on those priorities, the IRP board identified a number of strategic issues for the coming year, including serving as a champion for rural Idaho; expanding competitive access to domestic and international markets; seeking resolution of conflict, especially on environmental issues; providing leadership training and leadership in rural communities; and then serving as a one-stop shop, specifically having an electronic-access inventory web site for information of programs and services of rural communities that we are moving forward aggressively on.

In addition, in order to tap the expertise of a large group of individuals outside the board of directors, we have established a number of standing committees and have asked volunteers and other people from rural Idaho to serve on those committees, including Economic Development, Education and Workforce Development, Environment, Leadership Training, Policy Development, and Planning and Funding.

IRP works to achieve its goals. As we do so, we are working with the National Rural Development Coordinating Committee that was authorized in the 2002 Farm Bill, and per that congressional direction, we look at that group to cross agency lines to solve problems and create opportunities for rural America.

In closing, I would like to publicly thank you, Senator, and the other members of the congressional delegation for the tremendous efforts you have made in funding this program, specifically in Idaho, and across the country. Within the 2002 Farm Bill, we have that funding that comes traditionally through the U.S. Department of Agriculture Rural Development. In addition, this past year we have gone beyond that, got some private sector funding, specifically two funding sources: Betchtel BWXT Idaho and Monsanto. We have

achieved some State funding as well through the Idaho Workforce Development Training Fund.

We look forward this coming year to expanding both State and private resources to match the Federal resources. We have truly a collaborative effort in that.

[The prepared statement of Mr. Johnson can be found in the appendix on page 118.]

Senator CRAPO. Thank you very much, Mr. Johnson. I want to thank both of you, Mr. Tueller and Mr. Johnson, for the efforts of the Idaho Department of Commerce and Idaho Rural Partnership, respectively, for their focus to try to address the issues that this Committee's focused on today.

Karl, you mentioned and discussed a lot of the approach that you are engaged in in working with the INEAS group, and I would just like you to expand on that a little bit. As I look at this, it seems to me that we have a lot of programs, at many different levels of government, and a lot of private sector involvement. As others have said today, we probably have the programs in place. We have the necessary system in place, but we have a tremendous complexity out there, and that complexity is made even more complex by the fact that we have how many counties in INEAS? One hundred forty-seven, I believe?

Mr. TUELLER. One hundred thirty-seven.

Senator CRAPO. In the hundreds, between 100 and 150 counties that each have their own unique nature. They are in four different States. There are tribes, there are State governments, county governments, city governments, tribes, Federal Government, and then all kinds of different private sector impacts as we try to figure out how to best accomplish this objective of boosting economic development in rural communities. Somebody said earlier that flexibility was needed. Clearly it is.

Is the focus of INEAS the right focus? I know I am asking somebody who is an advocate for it. Tell me how you see INEAS solving some of this.

Mr. TUELLER. Well, Senator Crapo, having been in this business for over 30 years, I have worked with a lot of these Federal and State programs. Particularly in Idaho, the Rural Partnership has really tried to address and cut across a lot of those programs, cut down some of the barriers to collaborate, and that is working fairly well. Your particular bill is based a lot on that by the fact that you have identified ten from each of the various States. We think they parallel very well.

The thing of it is, it is not creating a new, different level of bureaucracy, of new players. It really engages those who are already doing this economic and community development from the States. It allows us, then, just to pick up and start the implementation process without some new, higher level type—like a regional commission.

Senator CRAPO. Let me interrupt and ask you a question. Earlier, it was Mr. Birdsall, but others said that we really need to be sure that we don't get caught up in a bureaucratic system where cookie-cutter solutions get invoked. INEAS will not cause that, I hope. How will INEAS facilitate this flexibility for local decision-making that we have talked about today?

Mr. TUELLER. Well, I believe it is by bringing all the partners to the table, which we have demonstrated can happen, from county commissioners to local officials to private industry, plus all the service providers, whether it is local or State or non-profit group. It is always dangerous, obviously, but we are committed. We have the infrastructure.

I have confidence, almost as much, in the other States. They are all different and unique, as you know, in terms of getting all the right players to the table. I know that all of them that I have worked with are committed. They have been an effective method to really work with local community leaders.

Senator CRAPO. We have all of these players anyway, and they are engaged anyway. By bringing them together in a collaborative fashion, we should expedite bureaucracy problems and facilitate flexibility?

Mr. TUELLER. Absolutely.

Senator CRAPO. Dwight, again, the Idaho Rural Partnership is to be commended for all of the tremendous work that it is doing. We rely on you guys tremendously in our efforts. Let me ask you, if you will, I know you are familiar with the INEAS project. How do you see IRP working in this context? Let's assume that the legislation passes and we establish the framework that the bill proposes and that Karl has talked about. How do you see IRP working with that?

Mr. JOHNSON. Well, they are, Senator, really a mirror image of each other, to a large degree, on a State level, doing the same type of thing that IRP is trying to do, and continuing to work to do in collaborative efforts to bring the partners together to make real things happen.

Just to give you a very simple example, at our last August meeting, board meeting last year, someone brought up the fact that—a local county service provider brought up the fact that as they do various different projects, economic development projects and community development projects, they get various different funding sources to make those things work. For each funding process, they had to set up a different sign to acknowledge the different funding source, whether it be State, local, or Federal, et cetera, and sometimes multiple local and multiple State signs.

They brought that issue to the table, and we said that doesn't make a lot of sense. We developed an easy sign that we can have one sign with everybody acknowledged. Save expense, save programs, frustration on a local partnership level. On the local level to actually implement that, a simple solution was arrived at because everybody was sitting around the table and someone didn't have to approach every single different agency and get the run-around. That is just a very simple example of what can happen when you have people at a table making a decision.

Senator CRAPO. That is a good point.

In the context of the access to capital and some of the USDA programs we talked about today—RBEG and RBOG and the others I have forgotten already. RCA or whatever it is. I can't remember.

[Laughter.]

Senator CRAPO. In the context of those capital programs and other programs to provide resources for communities or business

start-ups, do you believe that both the IRP and the broader INEAS concept work well in helping to facilitate those programs, make them more effective?

Mr. JOHNSON. Senator, absolutely. As I mentioned, to make those things happen, in large regard, you have to have partnership. It is not just one funding source that is going to get the job done. You have to go to numerous different funding sources to accomplish what you are trying to do. The coordination and collaboration between all of those players is absolutely critical to accomplishing it. That is why the collaborative effort of IRP and, by extension, INEAS is the exact process that you need to go through to make things happen.

Senator CRAPO. Karl?

Mr. TUELLER. I would just like to add that we for some time in Idaho have assembled all those infrastructure providers to these communities. We sit down around the table on a regular basis to find out whether transportation is planning a road consistent with the sewer project, or whether the Office on Aging's got processes going into it. We have had a very successful collaborative process that we are saying, this community is ready now from all aspects. We can bring the resources of EDA or USDA in partnership with State money to make the project happen with limited resources.

Senator CRAPO. There is another benefit that I see, maybe selfishly, from my role in all of this at the policy level with the Federal Government, and that is—you can all, everybody that has stuck it out all day—as you can tell, I am trying to soak this all into my mind, figure out all these programs. There are some for communities under 20,000, and there are some for over 50,000, and all that.

It seems to me that if you have a situation where you have all the players working together collaboratively, and you have a circumstance where there is somebody fallen in a hole and can't get serviced because of various regulatory requirements of various programs, that that could be, A, identified, and hopefully, in many cases, a creative solution found to solve it.

If there is just no work-around, then it would seem to me that the group could come to me and say, the program needs to be changed. This program or this set of programs need to be adjusted so they work this way, not that way. In fact, there have been five or ten suggestions here today of just that nature by people who work in the system.

It seems to me that the INEAS group or the IRP could come to me as a Member of Congress and say, look, here's a reform bill, or whatever you want to call it, for economic development in rural areas. If you would make the following X number of changes, you would significantly enhance and expedite the access to capital or the solution to this problem. Do you envision INEAS working that way?

Mr. TUELLER. I do, and also the rural partnerships do that, do a better job. Make our job of trying to coordinate all these programs would be much easier if it were simplified in a way that makes sense both from your perspective and Congress's perspective and rural communities. Many of these have grown up through siz-

able ground over the years, and they don't get adjusted and kept up with the current circumstances of the need.

We welcome that opportunity, and we have probably underutilized your office and other offices to really channel those suggestions and recommendations.

Senator CRAPO. Well, ideally—I said at the outset, there are 88 programs and well over 16 agencies working on them. Ideally, I would think we should refine the number of programs and expand the reach of the programs and reduce the bureaucracy and expand flexibility. I guess I am guilty myself. I created one of those, Project SEARCH, and, of course, I want to see that stay in. I am sure that that could be woven into some other program or project in such a way that we streamline. In my opinion, streamlining is probably a good objective to achieve here as a long-term objective.

Well, anything else that either of you would like to put in?

Mr. JOHNSON. I just want to acknowledge Bob Ford, thank him for the good work he does on behalf of the State and your office, and acknowledge Dick Gardener and Jim Birdsall, who also are on contract with the Inland Northwest Economic Adjustment Strategy, as we move that project along. I know Governor Kempthorne and Roger Madsen, the Director of Labor and Acting Director of Commerce—

Senator CRAPO. We are working with all the other offices in the Northwest to try to make this happen. I should also acknowledge that Emily McClure is the Bob Ford of Washington, DC. She does all that. Bob does it out here, and she does the Washington, DC, side of it, and she is doing a great job of it.

I just want to say to everybody who has spent the day here, thank you for your attention and interest in these issues. It has been very educational and enlightening to me to learn about these things, but it has also been comforting because I have come to know—as I knew before but it is reaffirmed to me—that there are a lot of really great people working on these issues from each different perspective from which you all come. You will help guide me in making sure I do my job right, and I will help—not guide you—but I will help assist you in making sure you can do your job to the best of your ability.

Again, I just want to thank you for both your commitment and your time, not just today but always. With that, the hearing is adjourned. Thank you.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 16, 2004

**Testimony on Rural Community Development
Before the Senate Agriculture Subcommittee
on
Forestry, Conservation and Rural Development**
Jim Birdsall

March 16, 2004

Mr. Chairman and members of the Sub-Committee:

Thank you for this opportunity to offer public testimony concerning an extremely important subject-- that discussion being the health and vitality of our rural communities.

Just for context, I wanted to let you know that I have been working in the Community Development arena for the past twenty-eight years. I should divulge however, that I do not have an academic background in this field. My experience has all been "on-the-job" training, working in the rural setting. The fact that I have done this work for such a long time may not speak well of my intelligence, but it does provide me with some pretty good perspective on the subject. It also gives a person plenty of time to question whether or not they are doing any good.

Having had a chance to roll that question around a little, I have concluded that people like myself and others working in this field are in fact, making a difference. This holds true as well for the rural helping programs that many communities utilize. I would like to spend the next few minutes offering my insights about some of these programs, especially in terms of what is working well.

I'm sure you are aware that although the list is not a long one, there is more than one federal agency offering assistance in rural areas. The time available to me does not allow a meaningful discussion about all of these opportunities. Therefore, in this testimony today, I would prefer to use some of the rural programs of the U.S. Department of Agriculture (USDA) to illustrate my thoughts.

The menu of USDA community programs contains some great examples of well-established initiatives. Some of these, in my opinion, help form the backbone of assistance in the areas of housing, infrastructure, business, and community facilities development. I think their value is well documented.

However, I would like to spend my time here discussing two perhaps less well-known programs. I am referring to the Rural Business Enterprise Grant (RBEG) and the Rural Business Opportunity Grant (RBOG) programs. Although they are funded at smaller levels than their cousins, these two programs have a certain "spark" that sets them apart and dramatically increases their value to rural communities.

The quality I refer to is that of flexibility. I have witnessed both the RBEG and the RBOG serving in an early role in community development endeavors. Examples of this might include strategic community planning for business development or feasibility studies for specific ventures. I have seen RBEG play a critical role in supporting early operations of small business parks and in discovering new ways to bring risk capital into the rural business development equation.

The underlying difference of these programs is their ability to have great flexibility in meeting local needs. They can be part of the “front end” of community development work, or they can play a role in actual implementation activities. This is a niche that few other public helping programs can operate within, and it is invaluable for rural towns.

I wish that I had some way to capture and bring to you the difference I see in people's faces when they are empowered to pursue their own community strategies. When they are supported in putting their heads together to figure out local solutions. The difference between that kind of scenario and that of meeting strict program guidelines in order to receive a grant award is stark and dramatic.

I also wish that this spark of empowerment could be infused throughout all rural community assistance efforts. I don't think such an idea is that far-fetched. For instance, a little later on today you may hear about the Inland Northwest Economic Adjustment Strategy (INEAS). This is a blueprint to address severe economic distress in targeted counties across the four Northwest states. The local capacity building model that the RBEG and RBOG programs represent would find a welcome home within the INEAS concept. I think these qualities are transferable to other locations and programs as well.

The other obvious thought that I should mention is to consider increasing funding levels for the RBEG and RBOG programs. These initiatives receive fairly low levels of funding now and any increase would, in my opinion, be “money well spent”.

In my concluding remarks I don't want to leave the impression that I'm suggesting to just throw more money at programs. My emphasis is on being very strategic with adequate funding levels. I think the RBEG and RBOG programs are great delivery models for achieving that balance. I also think this notion fits well in the rural setting. Today more so than ever, (and certainly more than 25 years ago), rural communities are not asking for a hand out. They could use a leg up. Thank you.

PROJECT SEARCH
(Special Environmental Assistance for Regulations of Communities and Habitat)

Good morning Senator Crapo and staff representatives. Thank you for the opportunity to be here today to share the Idaho experience with Project SEARCH - Special Environmental Assistance for Regulations of Communities and Habitat. My name is Carleen Herring, I am here this morning on behalf of Region IV Development Association where I am the Economic Development Division Manager. We are an economic development district serving the people of the eight counties of South-central Idaho with offices in Twin Falls.

In 1997, as a member of the House of Representatives Congressman Crapo conceived *Project SEARCH* to demonstrate how a relatively small amount of federal funds could greatly benefit rural communities. Discussion continued on the proposal until in 1999, when Senator Crapo was successful in securing funding for *Project SEARCH* under the authority of the 1999 Independent Agencies Appropriations Act (Public Law 105-276), as amended.

The program was intended to show that a simple process could be used to get federal funding down to the smallest governmental levels without requiring excessive technical assistance or red tape. Originally envisioned as a demonstration project for the state of Idaho, Senator Crapo championed \$1.3 million in the Environmental Protection Agency's budget. The program would provide small towns in Idaho with access to funds that could help them address infrastructure issues that were the result of federal legislative actions – it would help resolve problems for which other funding sources were not available.

The focus was to assist communities with fewer than 2500 residents meet their water and wastewater infrastructure needs in order to comply with environmental statutes and standards. The program targeted these communities because they generally have small operating budgets, only part-time staff, and lack the financial reserves so critical to being competitive in the normal public sector grant processes.

On the local administrative side, Region IV Development Association (RIVDA) was selected to implement *Project SEARCH*. Our organization is a 501 (c)(3) non-profit and was the single primary grant recipient of *Project SEARCH* funds.

We embraced Senator Crapo's vision to help small towns and designed a process that would be easy to use by communities with limited administrative capacity. We created a process where the funding decisions would be made by a panel of local elected officials facing the same kinds of problems.

The application consisted of a two-page outline describing the proposed environmental project along with the reasons why the community believed their town qualified for *Project SEARCH* funds. The criteria for these funds included such things as: having exhausted traditional methods of funding (i.e., loans, bonding, state and federal

agencies resources); having experienced unexpected problems/expenses that prevented the start or completion of the project; or needing to implement the project to comply with environmental statutes or public health requirements.

The applications submitted were then screened by a Citizen Advisory Committee comprised of representatives from each of the six state designated planning regions - these members were identified by the local "Councils of Governments" representing each region. RIVDA provided the Citizen Advisory Committee with administrative support. The Citizen Advisory Committee selected which communities would receive funds and RIVDA awarded sub-grants to them accordingly.

To demonstrate the timeliness of implementation, EPA awarded the designated grant to RIVDA in late August, 1999; notice went out to all Idaho counties and communities with less than 2,500 people during the first week of September 1999. Additional notice was also provided to the Association of Idaho Cities, Idaho Association of Counties, Idaho Rural Partnership, Idaho Department of Commerce, Idaho RC&D's, the economic development districts, and congressional field offices. Forty-seven (47) applications were received in November 1999, and 21 communities were selected by the Citizens Advisory Committee on January 11, 2000.

The 21 funded applications ranged from a low of \$9,000 for a facility plan so that a housing authority could solve its wastewater problems to a high of \$319,000 for part of the funding needed for construction of a wastewater treatment facility in a very sensitive environmental area.

However, implementation of *Project SEARCH* was not without its tense moments. The demonstration project grant through EPA required a 45% match. As previously mentioned, small communities generally cannot come up with the matching requirements for most public infrastructure grant programs – effectively eliminating their potential for receiving grant assistance. As originally proposed, *Project SEARCH* was not much different in this regard - many applicants could not meet the 45% match requirement. To overcome this obstacle, RIVDA worked with EPA to structure the program so that each individual community would not be required to come up with a 45% match – but rather that the overall program would be responsible for meeting the match requirement. As a result of this common-sense approach, we easily met EPA's requirements and the individual towns were able to use *Project SEARCH* funds to solve their problems while participating to the maximum of their financial abilities. The small towns were able to match their Project SEARCH Grants with local resources ranging from 14% up to about 87%.

Project SEARCH was designed so it would be easy to apply for and as simple as possible to administer at the local level. Communities did not need professional grant writers or administrators to successfully apply for and utilize *Project SEARCH*/funding. Region IV Development Association provided administration for the program and assisted the awardees to complete the necessary documentation for funding and reporting. The Environmental Protection Agency as the Grantor was very accommodating and cooperative to work with. A collaborative effort to assist communities in the application process consisted of the late Mike Silverman of the Environmental Protection Agency,

Peter Fischer of Senator Crapo's Boise staff, the local economic development districts' staff, and Joe Herring of Region IV Development Association.

Through this combination of local direction and federal partnering, *Project SEARCH* enabled more direct infrastructure building/environmental problem solving dollars for the communities than if EPA had awarded individual grants. *Project SEARCH* demonstrated that a simplified, alternative method could be used by state and federal agencies to select and award grants to build these critical infrastructure projects.

Project SEARCH was not meant to replace traditional sources such as the Idaho Community Development Block Grant program (ICDBG), or the programs administered by USDA Rural Development, or Idaho's Department of Environmental Quality. *Project SEARCH* was created to encourage communities to try collaborative methods to address their environmental needs through the development of partnerships and Small Town Environmental Projects (STEP), or to be used as an emergency source to bridge funding gaps.

Project SEARCH has been very beneficial for 21 of Idaho's smallest communities - helping to make their environment safer for the future. Small communities across the nation need a funding source that closes the gaps as *Project SEARCH* did for our towns. I encourage Congress to authorize funding for *Project SEARCH* and offer the experience and expertise of Region IV Development Association to help in its implementation.

Thank you for your time this morning.

RURAL DEVELOPMENT FIELD HEARING
Senator Mike Crapo
March 16, 2004
Ashley Inn, Cascade, Idaho

Multi-Family Housing

**Mary Pridmore, Director of Housing Development
Neighborhood Housing Services, Inc.**

ISSUE:

USDA, Rural Development provides financing for multi-family housing (family and elderly) under the Section 515 program. Deep rental subsidies are offered to the tenants through the rental assistance program. Resident rents are based on their income. Most residents occupying these properties earn at or below 60% of the median income for the county (very low income). In Idaho's rural counties, for a family of four, this equals \$22,850 per year. This is approximately the equivalent of two individuals earning \$5.50 per hour.

The 515 portfolio is aging as are the owners of these properties. Many of these owners wish to divest themselves of the properties. Unfortunately due to restrictions voted on by Congress in 1988, owners are unable to pay off their loans early. These restrictions are intended to prevent undue hardship on low and very low income families. In many instances these projects are the only affordable housing units within the rural communities that meet decent, safe, and sanitary standards. Under the Act passed by Congress, it is mandatory for owners to apply for prepayment. Rural Development then may offer owners incentives to stay in the program, such as equity loans, full rental assistance, and higher rates of return. Unfortunately, the existing Congressional appropriations are not adequate to pay out these incentives. Owners are further restricted from early payoff if this action would affect minorities, or the project is determined to be needed in the community. USDA, Rural Development has to maintain a waiting list for equity loans under the preservation program. Since there is inadequate funding to pay the incentives, there is also inadequate funding to replace this much needed affordable housing or rehabilitate the existing aging portfolio. Simply, the intent of the original Congressional legislation cannot be met under the existing budget appropriations.

Further, Idaho competes nationally for the limited annual appropriation. Based on the current waiting list for equity loans under the preservation program, developer/owners are unwilling to expend the resources required to bring the development to readiness for new construction or acquisition.

IMPACT:

If these affordable properties were to leave the 515 program, many families would be displaced and have great difficulty finding other affordable housing within their small rural communities. The average 515 property is 24 units. This loss of these units would have a huge economic impact on a small rural community.

In these small communities, most residents are employed as waitresses, clerks, or positions earning just above minimum wage. Those unemployed are elderly or disabled.

Statistics for a sample rural property are:

- The average adjusted annual household income is \$4,676 or \$390/month.
- Average paid for Rent and Utilities: \$117/month.
- Average Rental Assistance paid monthly: \$441/month.
- Senior and disabled residents generally have only Social Security income

Sample individual incomes and respective rents:

- Disabled person with a child receiving \$600 per month in Social Security pays \$127 for rent and utilities and USDA, Rural Development pays \$444.
- Disabled couple with a child with annual income of approximately \$14,000 pays \$326 for rent and utilities and USDA, Rural Development pays \$245
- A working single mom who has one child living with her works with annual income of \$12,000 pays \$269 for rent and utilities and USDA, Rural Development pays \$302.
- An elderly person with only social security income of \$7,900 per year pays \$188 for rent and utilities and USDA, Rural Development pays \$383.
- An elderly person with Social Security income of \$6,200 per year pays only \$146 for rent and utilities. And USDA, Rural Development pays \$425.

RECOMMENDATION:

We respectfully request that Congress consider providing additional funding for the Section 515 multi-family housing program under USDA, Rural Development to resolve preservation issues, including rehabilitation, as well as creating new affordable housing opportunities to serve this growing and aging population.

Attachments:

- Adjusted Income Limits used by Rural Development for qualifying families in Idaho for subsidized housing and loan programs
- Lists of Rural Development Rental Projects by Area

Community Development, Inc.



"Building Buildings...Building People"

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March 15, 2004

The Honorable Mike Crapo
 c/o Robert Ford
 Boise, Idaho

Re: USDA Rural Development Field Hearing

Senator Mike Crapo:

Your Honor, it is a privilege to be here today, sharing thoughts on how to improve the quality of life issues regarding our rural areas. I must also say that watching your leadership, as exhibited through you and your staff over the last several years, has been inspiring. Your dedication and integrity directed at real life solutions to issues challenging Idahoans and other US citizens have been notable and appreciated.

There are four areas I wish to touch on briefly today. I give importance to each of them. As an owner and developer with several RD properties, I want to express my appreciation for the State RD office and Roni Atkins, LaDonn McElligot and Stewart Brent and his staff at the Region 3 office in Caldwell, Idaho for their commitment to providing affordable housing to families in Rural areas.

1. The Rural Development 515 program, with Rental Assistance, enabling seniors and families to only pay 30% of their income for rent has been successful in meeting the greatest need American families face—flat wage growth intersecting with housing inflation making for a nasty combination. The 515 program has helped thousands of families fight this trend. But three sub-issues need addressing. A) the 515 program has been cut to the point where many states do not receive an annual allocation of these funds. More funds are need to make more of these units available to working families. B) Previous units using the 515 program were poorly constructed and need rehabilitation. Some funds exist for this problem, but I imagine this one category alone would have incredible demand. C) Many units across the country are converting to market—some will not—but many current owners are wanting out of the program either by

converting to market and then selling the developments or will retain the units, raise rents and loose their affordability nature.

2. The USDA RD 515 program needs a restructuring to be more compatible with Section 42 Low Income Housing Tax credits and HOME funds. Several factors, which I will not discuss today, discourage developers from using these funds in combination with each other. Primarily, tax credits are given value by three or four different factors. When a tax credit dollar is devalued it typically corresponds with a drop in the permanent loan rate, allowing the developer to borrow more money to make up that deficit caused outside of the developer's control. Non-RD developments can go back to lenders, prove the borrowing power increase as the result of lower interest rates and show how the project can borrow more money and eliminate the gap. This adjustment is not available in the USDA Rural Development 515 program.
3. Economic Impact—The impact to small communities is amazing. Seniors and families who are only required to pay 30% of their income for rent means that they have more money for basic living needs such as medication, food, and transportation. Seniors have personally thanked me because they only get \$600 a month SSI and were skipping one and two meals a day to afford their medications.
4. Rural Vs Urban—Currently, USDA Rural Development is active in communities of 20,000 or less. Some exceptions exist. However, there exists a funding gap for communities between 20,000 and 50,000. 50,000 is the population mark for CDBG and HOME funds (in some states) entitlements. These “in between” communities are in a “no man’s land”, somewhere between rural and urban. This gap leaves them with a burden in housing because many times, these communities reflect wages that are rural with rents that are urban, placing a greater strain on families and seniors.

These comments are general in nature and are shared in the nature of good dialogue. If I can be of further assistance, feel free to contact me or my staff. We stand, ready to serve our state. Thank you, Senator.

Date: May 25, 2004
 To: Senator Michael D. Crapo
 Subject: Small Business Field Hearing
 March 16, 2004
 Cascade, Idaho
 Prepared by: John Lane
 Business Finance Specialist
 Clearwater Economic Development Association (CEDA)

Background

CEDA serves the five counties of north central Idaho and has operated revolving loan funds since 1989. Current loan capital totals just over \$2 million dollars and includes funding under the US Department of Commerce Economic Development Administration (EDA) Revolving Loan Fund (RLF), USDA-Rural Business Services (RBS) Intermediary Relending Program (IRP), and USDA-RBS Rural Business Enterprise Grant (RBEG) programs. Complimentary business development activities in which CEDA has been involved include technical assistance programs for small business development that were funded through the RBEG program and the USDA-RBS Rural Business Opportunities Grant (RBOG) program.

Loan Fund operations and deal structure

GAP Financing

The EDA-RLF and the USDA-IRP programs are structured primarily to provide "Gap Financing". Gap Financing fills the gap between the amount the borrower has to invest and the amount the bank is willing to lend on a specific project. The intent of these programs is to stimulate business development by increasing the borrower's access to capital, thereby reducing the need for the business to deplete cash reserves and/or divert cash flows toward capital improvements that are need for operations.

Scenarios where gap financing is commonly used include:

- 1) An expanding business with proven management and a profitable track record requires financing that is outside the comfort level of the conventional lender due to collateral values or a dependence on projected profits to service the new debt,

- 2) A business with a profitable track record is being purchased by new owners that have business experience but are unproven at the business being purchased, OR
- 3) When management is purchasing the business from retiring owners and the purchasers lack the capital needed to meet the owner investment required by the conventional lender AND cover operations cost.

Start-up businesses attempting to capitalize on emerging markets and technologies also qualify for these programs. However, many projects that have merit from an economic development standpoint are not funded due to high risk related to unproven markets and/or the time needed to generate positive cash flows.

Micro Loans

CEDA provides micro loans of up to \$20,000 through its EDA funded RLF and micro loans of up to \$10,000 under a program funded through the USDA-RBEG program. Both of these programs fill a need for small loans, usually for equipment purchases, inventory expansion, and/or working capital. Typical borrowers utilizing these programs are those that:

- 1) Have a skill or hobby that they are using as a basis for transitioning into self-employment due to downsizing in their industry,
- 2) Have been retrained due to factors limiting their ability to continue in their past field of employment and desire to be self sufficient through self employment, OR
- 3) Have an established business that requires a small loan for expansion but lacks the track record required to obtain convention financing.

Other

In some instances CEDA is able to act as the primary lender when bank participation is unobtainable for a particular project. Due to federal program rules that limits CEDA participation to 60% of the total project cost under the EDA-RLF and to 75% of the total project cost under the USDA-IRP, this is only possible when the applicant is able to make a significant injection of new equity (25% to 40%) into the project.

Challenges and Unmet Needs in the Market

- 1) **Difficulty structuring financing for borrowers needing amounts between \$20,000 and \$50,000 for their project.** The typical conventional lender does not pursue commercial term loans of under \$50,000 because the return on investment is not adequate to cover their cost of packaging and servicing the loan. Currently, CEDA's maximum micro loan is \$20,000. The combination of these factors creates a void for applicant's requiring between \$20,000 and \$50,000.

One solution is to increase CEDA's maximum micro loan amount to \$50,000. This is not possible using existing programs. Federal rules require CEDA's

overall EDA funded portfolio (Gap financing and micro loans combined) be leveraged by \$2 private capital to each \$1 EDA-RLF financing. The USDA-IRP portfolio has a similar but lower \$1 IRP to \$1 private leverage ratio requirement. The maximum participation limits of these programs (60% and 75% respectively) are also a hindrance as borrower would need to drain cash reserves to provide the private investment, defeating the intent of allowing them to devote cash reserves and cash flows toward expanding operations expenses.

The existing USDA-RBEG program guidelines would allow for this increased microloan product. However, levels of federal funding are the limiting factor. Due to the relatively low level of funding through RBEG, applications to USDA for funding of projects with a cost of over \$40,000 are discouraged.

- 2) **Lack of flexible financing structures.** Often, in rural Idaho, neither a term loan nor the typical equity investor meets the needs of start-up businesses that require significant time to develop positive cash flows. The term loan does not fit well because of the need to begin debt service soon after incurring the debt. The typical equity investor does not meet the need because the values and objectives of the rural entrepreneur differ greatly from the typical equity investor.

The typical rural entrepreneur enjoys the challenges of individual business ownership, is committed to living where he or she lives, and to providing a living wage for him or herself. More often than not, he or she also has a sincere commitment to improving the overall economic condition of those around them. To the contrary the typical equity investor objectives are focused upon realization of a rapid and high return on investment. The investor is seldom a local community member so does not share the rural entrepreneur's commitment to community. As a result, the investor's tendency will be to take profits as soon as the venture becomes successful by selling at the highest price possible regardless of the buyer's long-term intentions for location of the production facilities.

One solution is to create a financing program that simulates investment capital and is operated by regional Economic Development Districts (EDD). Arrangements for repayment of the investment would then favor the business owner as compared to the typical equity investor arrangement. The EDD would focus on expanding quality employment opportunities instead of focusing on maximizing return on investment. The ROI would be limited to what is required to operate the program resulting in a relatively lower cost to the business owner. The results would be an increased number and diversity of small rural employers contributing to their local economies.

- 3) **Businesses in the economic centers of Region II are under-served.** Regardless of the merit and/or need of an individual project, the strong

economic conditions in Nez Perce and Latah Counties prevent expansion of EDA funded programs in these counties. The USDA-IRP program rules excludes the financing of projects inside the economic impact zone of communities with a population of 25,000 or more. This too eliminates a large portion of Nez Perce County from participation.

The result is that projects with significant merit from a job creation and/or regional economic impact standpoint do not qualify for assistance due to the geographic location of the business.

- 4) **Technical assistance complimentary to financing.** Idaho's Region II has a wealth of entrepreneurial individuals with innovative products and ideas. Development of businesses around these products and ideas could, over time, result in the creation of significant employment opportunities for the citizens of Region II. The challenge is that these entrepreneurial individuals normally require assistance in a variety of areas if they are to successfully transform their product or idea into a business that will result in job creation. Production, marketing and financial management are the three key areas in the operation of a business. The average entrepreneur possesses skills in one or two of these areas but almost never in all three.

The Small Business Development Centers (SBDC) and the Service Corp of Retired Executives (SCORE) currently provide services that partially meet this need. However, significant gaps exist in the rural areas. SCORE has not been successful in our area due the lack of a concentration of volunteers. SBDC serves the rural areas but due to shrinking resources is shifting its focus toward clients with potential for immediate "high impact" results. Additionally, entrepreneurs must often travel to Lewiston for services and training, which takes time away from the operation of the business.

A possible solution is to develop a technical assistance program that provides a long-term commitment of services that aids the rural entrepreneur in the skill areas where they are lacking. With a commitment to providing services at or near the business site and a commitment to providing services in conjunction with and that are complimentary to those offered by SBDC, the return on investment into such a program would be significant. More small production facilities would result thereby providing diversified quality employment opportunities in rural areas.

Conclusion

Most of the pieces are in place to address these gaps in business development services. The regional Economic Development Districts (EDDs) have a history of service in these areas and are a part of an established service network that is able to recognize and to react to changing needs in their region.

USDA-RBS has active programs that can be used to address all the needs previously mentioned. The RBEG and RBOG programs provide flexible guidelines that allow local programs to be tailored to the specific needs in a particular region. These programs define "rural" as communities with a population of 50,000 or less which is a definition consistent with other federal programs, and would allow all of Region II, and nearly all of Idaho to be better served. These dollars can be used to, explore market opportunities, provide direct technical assistance to business owners, establish revolving loan funds and equity financing programs, and to establish assistance programs that have yet to be imagined.

New federal programs and/or new entities are not necessary. Successful local programs that address the business development service gaps can be developed by existing organizations with existing USDA-RBS programs. What is needed to make this happen for rural Idaho is a long-term funding commitment for the RBEG and RBOG programs. This commitment must include consistent levels of funding that are allocated on established time-lines and there must be a commitment to retaining the flexibility needed to meet changing business development needs in rural Idaho.

**Statement of Michael Field
Idaho State Director
USDA Rural Development**

Field Hearing
to Examine the Rural Development Programs
of the Department of Agriculture

United States Senate Committee on Agriculture
Subcommittee on Forestry, Conservation, Rural Revitalization

March 16, 2004
Cascade, Idaho

Mr. Chairman, I am pleased to be here today along with many of USDA Rural Development's partners to talk about our program in Idaho. I have a formal written statement and a copy of the FY 2003 Rural Development Idaho Annual Report that I would like submitted for the record along with my oral statement. I know that you have responsibilities across the Nation and we are certainly glad to have an Idahoan as the Chair of the Senate Agriculture, Nutrition, and Forestry Committee's Subcommittee on Forestry, Conservation, and Rural Revitalization.

USDA Rural Development is committed to the future of rural communities. Our programs are delivered through a network of 47 state offices and approximately 800 local offices nationwide. We have three main program areas, all of which help to build the fabric of rural communities.

We provide a variety of both single and multi-family housing options to residents of rural America. Our housing programs provide housing for low-income families and seniors in rural communities. One of our housing programs allows families to build their own home and create

sweat equity in the process. I know that you had the chance to visit one of our self-help housing properties in Kimberly. In fact I think you even pounded a few nails. A home is one of the best ways families have to build equity. They build not just equity in their home, but also equity in their community. At USDA Rural Development we are interested in creating economic opportunities as well as improving the quality of life in rural America.

One area of concern for us is our aging multi-family housing portfolio. We are at the point where we need to rehabilitate existing properties or build new ones. In Idaho a large percentage of our MFH Portfolio is 20 years or older. Outside consultants are currently conducting a study of our portfolio across the nation, and we look forward to discussing their findings with Congress once the study has been completed. We look forward to your involvement in shaping the direction of this important program. Safe and sanitary housing for rural families is at the core of our housing program.

Our community facility and rural utility programs help to build infrastructure. There are few rural residents in the state who do not benefit from these programs. Whether it is delivering safe drinking water to communities, building a fire station, or almost everything in between, we can help make it possible. These programs help provide better quality of life up, down and across the state.

We are also very proud of our business and cooperative loan program. As you are aware, the building we are meeting in today was built with the help of Federal, State and Private funds. Ashley and Katrin Thompson have created new hope in their community by investing in its future. We are glad to be a part of that by working with Farmers and Merchants State Bank to guarantee the Thompson's loan.

There are several other programs I would like to mention. They also are important tools for economic development in our State. I am speaking of our distance learning, telemedicine, broadband, and electric programs. Through these programs, we have linked rural clinics and hospitals to larger regional healthcare facilities thus providing more advanced medical care to rural areas.

Southern Idaho has one of the best rural broadband networks in the nation. The Syringa network was partially funded with loans from USDA Rural Development to rural communication providers and cooperatives. The Syringa network will provide rural communities the same economic advantage that the railroads provided to rural communities in the 1800's.

This past year, the Coeur d'Alene native American Tribe received the largest community connect broadband grant in the nation. This grant allows the Tribe to provide high speed internet service to all reservation residents and will link critical public services such as police, fire protection and health care on the reservation.

Senator Crapo, I have the opportunity to work for one of the best agencies in the Federal Government. But we would not be able to provide our programs without the help of our partners. Today you are hearing from some of them. We want to take this opportunity to publicly thank those we work with to bring economic opportunity and improved quality of life to rural Idaho communities.

We also want to thank the Idaho Congressional Delegation for their continued interest and support for USDA Rural Development programs.

Today, I'd like to highlight the many ways we help rural businesses and cooperatives.

USDA Rural Development' rural business and cooperative programs enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and cooperatives that can prosper in the global marketplace. We accomplish this by investing our financial resources and/or technical assistance in businesses, cooperatives, and communities, and by building partnerships that leverage public, private, and cooperative resources to stimulate rural economic activity.

Since 2001, USDA Rural Development has provided nearly \$2.5 billion nationwide for rural business development in the form of loans, grants and technical assistance. Funds assisted with the start up, expansion or modernization of businesses and cooperatives in rural areas that have helped create or save over 160,000 jobs. Our business and cooperative program budget request for Fiscal Year (FY) 2005 totals about \$935 million. We can expect our rural Idaho communities to greatly benefit from this request as we have in past years. Attached is the "FY 2003 Rural Development Idaho Annual Report." As you will read, rural Idaho communities received \$19,635,476 in business and cooperative program funding last year, and we will continue to invest in Idaho's rural communities this year. (Attachment A)

Small business financing and entrepreneurial development is a key component of our programs. USDA Rural Development in Idaho administers a number of programs designed to help foster a strong business environment in rural Idaho. The emphasis is on funding properties that create or preserve quality jobs, and promoting a clean rural environment. The financial resources of these rural business development programs are often leveraged with those of our local private lenders and other resource providers to meet business and credit needs in underserved areas in Idaho.

♦ **Business and Industry (B&I) Loan Guarantee Program**

The Business and Industry (B&I) Loan Guarantee program is a lender-driven program that provides a loan guarantee to the bank or other approved lender to finance private businesses located in rural areas of 50,000 population or less. The commercial lender applies for the B&I loan guarantee and, if approved, makes and services the loan. Most traditional lenders are eligible. Other, non-traditional lenders, may be considered for eligibility based on experience and expertise. The cost to the lender is a one-time fee of 2% of the amount guaranteed. The guaranteed portion of the loan does not count against a financial institution's lending limit. All or part of the guaranteed portion of the loan may be sold on the secondary market.

Two examples are below.

**RK Tek, LLC
\$188,500 B&I Loan Guarantee**

RK Tek, LLC began operations during the spring of 2000 with the start-up of a light manufacturing business located in Northern Utah. The business designs and constructs custom performance parts for snowmobiles, ATV's and motorcycles. In addition, they produce highly specialized wax injection moldings used for investment castings. They initially leased a 1,200 sq. ft. building, and after a few months of operation it became evident that they had outgrown the space. They began to seek out potential locations and visited Preston, Idaho. They were impressed with the community and decided to relocate. They obtained a long-term lease for property located within the City of Preston's Industrial Park and developed plans for a facility that would meet current needs as well as provide for additional growth.

The project included the construction of a 3,500 sq. foot building, moving expense, debt refinance and purchase of additional equipment. This project will create 3 jobs and save 2.

**Cascade Hotel Property, LLC, dba *The Ashley Inn*
\$2,602,713 B&I Loan Guarantee**

On May 17, 2002, Rural Development State Director Mike Field and Idaho Governor Dirk Kempthorne joined residents of Cascade to celebrate the ground-breaking of The Ashley Inn, a 65-unit hotel guaranteed by a USDA Rural Development Business and Industry Loan Guarantee. Billed as Cascade's biggest business district improvement in more than 60 years, the hotel was built by Ashley and Katrin Thompson in a Victorian/French Country style. It totals more than 40,000 square feet and features a conference/reception center, meeting rooms, and a heated indoor swimming/spa facility.

As described in the Long Valley Advocate: "Word of the project's start comes almost exactly one year after the closure of the Boise Cascade sawmill at Cascade. With that mill's closure, more than 80 mill employees and numerous other timber industry workers lost their jobs." Among those who lost their jobs was Ron Lundquist, who became the manager of the hotel. During the construction phase Ron was enrolled in Lewis-Clark State College's Hotel and Restaurant Management program. The project expected to create 20-25 new jobs in the county, and according to business plans, it is anticipated that the hotel will generate 18,000 overnight visits each year within the first three years."

As noted by the Thompson's in the groundbreaking invitation sent to Rural Development: "Thanks – this is already making a difference in Cascade." – Ashley and Katrin.

♦ **Rural Business Enterprise Grant (RBEG) Program**

The Rural Business Enterprise Grant (RBEG) program provides grants to public agencies, private non-profit corporations or Indian groups for financing and facilitating development of small and emerging private business enterprises (defined as having less than \$1 million in revenues and fewer than 50 employees).

Two examples are below.

**Teton Valley Hospital & Surgicenter
\$39,550 Rural Business Enterprise Grant**

Cardiac patients no longer have to leave the Teton Valley to get treatment. A Rural Business Enterprise Grant (RBEG) of \$39,550 was given to Teton Valley Hospital & Surgicenter in Driggs to pay for equipment that doctors in the valley can use to diagnose heart trouble and monitor patients in their homes.

Terry Patrick, director of respiratory therapy at the hospital, said, "With this grant we'll be able to purchase new diagnostic pieces that basically will give us a lot more insight into what's going on with a patient when we're looking for a diagnosis."

Equipment purchased through the grant includes a portable monitor that cardiac patients can wear 24 hours a day. The monitor records a patient's cardiac rhythms and records recurring symptoms. Other equipment will allow patients to record heart trouble and transmit the data to the hospital by phone.

The equipment also includes a new electronic interface between the hospital's laboratory and the privately owned Teton Valley Medical Clinic (TVMC) which will allow test results to be transferred to patient files with more speed and confidentiality. The interface will help both the

hospital and the medical center cut down on the amount of work required to transfer records. The new equipment will be used by TVMC, owned and operated by two local physicians and the project will result in the retention of TVMC's 20 employees.

The hospital matched the grant with an \$11,000 remodel to house a new cardiopulmonary suite at the hospital.

**Nez Perce Tribe Biobased Feasibility Study
\$59,752 Rural Business Enterprise Grant**

While one of the top two industries in this region, agriculture, continues a decade-long decline in production value and employment. There is a critical need to expand production alternatives and diversify the agricultural economy. Farmers in this highly productive dryland farming region have demonstrated the land's capacity to grow a range of oil seed crops. Land is abundant for this purpose.

The Tribe received a Rural Business Enterprise Grant for technical assistance purposes to assist with the funding of the feasibility study. This six month project will determine the feasibility of establishing oil seed production as a substantial alternative crop for farming operations in North Central Idaho.

If it can be demonstrated that oil seed production for any of a wide range of final markets, e.g., bio-diesel, meal, edible oil, is feasible, it is expected that capital can be mobilized to support industrial development as the next step. The result will be four-fold:

- Agricultural diversification
- Stabilization of the region's farming industry
- Creation of a minimum of 15-25 new direct jobs that offer livable-wage career opportunities.

- Creation of indirect jobs in agriculture, transportation, construction and industries that may use industrial output.

This project is expected to have a significant impact on small and emerging private businesses located in the region.

◆ **Intermediary Relending Program (IRP)**

The Intermediary Relending Program (IRP) provides a loan to private nonprofit organizations, public entities and other intermediaries to finance business facilities and community development projects in rural areas of 25,000 population or less. The loan is used to establish or fund a revolving loan program to provide financial assistance to ultimate recipients for community development projects, establishment of new businesses or expansion of existing businesses, and saving and/or creation of jobs in rural areas.

USDA Rural Development has a long history of partnering with community development organizations to provide assistance to rural businesses. In particular, through the IRP program, we have successfully collaborated with many organizations to accomplish the delivery of loan assistance through revolving loan funds.

One example is below:

**Clearwater Economic Development Association (CEDA)
\$300,000 Intermediary Relending Program**

Clearwater Economic Development Association (CEDA) operates two Economic Development Administration revolving loan funds, an Intermediary Relending Program (IRP) revolving loan fund, and two micro loan programs. CEDA has a service area of five counties located in North Central Idaho. They are targeting the three most depressed counties in Idaho with this IRP loan. The three counties are Clearwater, Idaho and Lewis. CEDA plans to target

IRP assistance by focusing on: industries that sell a product that involves value-added processing of local resources; entities that provide significant employment opportunities that are consistent with the needs of the existing workforce; and entities that realize a significant portion of revenues from customers outside their area. CEDA is trying to fill a niche in the lending market that is created by conventional lender's reluctance to finance projects in the most rural communities of North Central Idaho.

The 2002 Farm Bill provided programs that expanded the mission of USDA Rural Development to include the goal of: (1) increasing income to agricultural producers through facilitating value-added activities; and (2) helping agricultural producers and rural small businesses reduce energy costs and help meet the nation's energy needs. To assist with this goal, USDA Rural Development in Idaho delivers these programs:

◆ **Value-Added Producer Grant (VAPG) Program**

The Value-Added Producer Grant (VAPG) program provides grants to independent producers, agricultural producer groups, farmer or rancher cooperatives, and majority-controlled producer based business ventures for either planning activities or working capital.

One example is below.

**Salmon Creek Farms Marketing Association (SCFMA)
\$349,000 Value-Added Producer Grant**

Salmon Creek Farms Marketing Association (SCFMA) represents over 189 family producers located in Idaho, Utah and Montana. They requested Value-Added Producer Grant (VAPG) funds to be used for working capital to assist them in implementing a business plan to add value to their hogs through a branded line of Natural Pork. They worked in conjunction with the Independent Meat Company (IMC) and after completing test marketing and a feasibility

study, it was determined that a line of high quality natural pork would bring a premium in the market place. SCFMA developed standards for production including all aspects from herd genetics to feeds and herd health practices. Ultimately, the goal is that the producer will provide a consistent supply of quality hogs to be marketed under the Salmon Creek Farms Natural Pork label and by doing so they will receive an above market premium.

◆ **Section 9006 - Renewable Energy Systems and Energy Efficiency Improvements Program**

The Renewable Energy Systems and Energy Efficiency Improvements (Renewable) Program can provide grants, loans, and loan guarantees to agricultural producers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements. The Renewable Energy Program is designed to help agricultural producers and rural small businesses reduce energy costs and consumption and help meet the nation's critical energy needs.

One example is below.

**Val E. Schwendiman
\$500,000 Section 9006 Energy Grant**

A \$500,000 Renewable Energy grant was awarded to Val E. Schwendiman. Mr. Schwendiman has been farming for over 50 years in Eastern Idaho. He has been studying the wind resources on his farm since 2001 through multiple anemometer sites. Mr. Schwendiman also utilized data collected by the Idaho National Engineering and Environmental Laboratories (INEEEL) renewable energy program. The project funded by the Renewable Energy grant includes the purchase and installation of a single 1.5 MW wind turbine. Power produced by the wind turbine will be sold under contract to PacifiCorp (Utah Power).

As noted by Tyler Schwendiman: "The grant has really helped speed things up. We'll call this a test project. If this can pay for itself, we might put in more."

At USDA Rural Development, we are working with rural communities around the state to create opportunity and a better quality of life. I know that I have given a quick overview, but rest assured that we are here to serve rural Idaho.

Our team of qualified professionals thank you and your colleagues for your continued support of our programs. On behalf of myself, USDA Rural Development, and the Secretary, I thank you for the opportunity to testify at this field hearing and will be glad to answer any questions you may have.



MOUNTAIN VIEW POWER, INC.

To Senator Mike Crapo
 From Ron Williams
 Subject Rural Development Field Hearings
 Date: March 15, 2004

INTRODUCTION

My name is Ron Williams. I am a Boise attorney and shareholder of the law firm Williams and Bradbury, P.C. I am also one of four owners of Mountain View Power, Inc. (MVP), an Idaho based an energy development company.

As part of law practice I represent the Idaho Consumer-Owned Utilities Association, a trade association of 20 electric cooperatives and municipalities providing electric service to over 100,000 customers in Idaho. ICUA members primarily serve in rural Idaho. Although my comments today are from the prospective of an independent energy developer (MVP), I also wanted to point out that ICUA is a committed partner in rural economic development.

As an independent power project developer, I will speak to both conventional electric power development as well as renewable energy development. I believe there are important roles and opportunities available for rural Idaho in both types of power.

CONVENTIONAL POWER DEVELOPMENT

Mountain View Power won the very first "independent" competitive bid held by Idaho Power for construction of a electric generating plant.¹ We are now under contract with Idaho Power and about ready to commence construction of a 165 MW natural gas fired peaking power plant in the city of Mountain Home; to come "on-line" in the spring of 2005. The plant is the replacement unit for the failed Garnet Power Plant that was to be developed by Idaho Power's wholly owned subsidiary, Ida-West Energy.

MVP was successful and largely unnoticed by the press in permitting its power plant in Mountain Home – specifically, the Mountain Home industrial park – for the

¹ The "first-ever" bid process conducted by Idaho Power was won by its wholly owned subsidiary, Ida-West Energy, to build the Garnet Project in Middleton, Idaho. MVP elected not to bid in that first "go-round" because of our perception that bid parameters favored Ida-West.

reason that we chose to make our first siting criteria public acceptance, and not engineering analysis. Our permit applications and public meetings went largely unnoticed by the press, yet were well attended by local citizens wanting to learn more about us, and who also wanted to see economic development in Mountain Home and Elmore County. The 2003 Idaho Power bid process actually discriminated against us in pricing, due to the Company's assumption that it would involve more transmission upgrade costs for a plant located in Mountain Home, versus Canyon County. We were able to overcome that price bias with the assistance and the efforts from Mountain Home community leaders. In particular, I commend Ron Swearengen, Mountain Home's economic development officer, for his vision, and for hanging with us and our project the multiple times we told him "it was over."

Mountain Home wanted this power plant in their industrial park. While it is not a "jobs" opportunity, they saw the power plant as a good "anchor tenant" in their industrial park. They also saw significant property tax revenues from a \$50 million investment. We told the City it was unlikely we could win the bid without the financial investment. Not only were we facing a transmission bias against our location, we were also bidding against Idaho Power's own construction department. Without making a firm commitment the City agreed to "look" at forming an urban renewal district that included both the industrial park and downtown Mountain Home, and to use tax increment financing (TIF) bonds to invest in both industrial park infrastructure (for MVP's benefit) and in downtown improvements.

We took a deep breath, cut our bid by an amount of industrial park infrastructure we needed and hoped the city would agree to TIF fund, and we won. The plot became "twisted" when we all discovered that Idaho Power's insistence that they would only take and own the asset. Unknown to us at the time of the bid, this caused the property tax revenue from the power plant to "relocate" out of the city and into remote and unaffected taxing jurisdictions, under the "central assessment and apportionment" property tax system for Idaho utilities. Mountain Home felt betrayed. My partners at MVP wanted to have me skewered for our TIF assumption in our bid. As a result, we (MVP and the city) decided to see if we could change Idaho's property tax law. The result is

H542, awaiting the Governor's signature. H542, which I co-wrote with the Idaho Department of Taxation, is rural economic development bill.

H542 says that a power plant permitted in or near city limits is to pay its property taxes to the local taxing jurisdictions. Mountain Home is now back on track and considering formation of an urban renewal district, with the power plant as the economic engine of that district. If formed, property taxes from the power plant will pump \$400,000 to \$500,000 annually into the URD for improvements into both the industrial park and the downtown business district. For TIF bonding purposes, a power plant, either owned by a utility, or under contract to sell its output to a utility, is a relatively secure asset. Banks like power plants to loan against.

Private or utility owned conventional power plants in small[er] towns in Idaho can be an important economic development tool. Cascade is just one example of a "ready-to-go" industrial park in the abandoned Boise [Cascade] mill. Emmett is another. Heyburn with its \$1.00 Simplot site is the most recent. Urban renewal districts can be formed with property taxes from the plant "retained" to build infrastructure, attract businesses and create jobs.

RENEWABLE ENERGY DEVELOPMENT

Wind Power. Mountain View Power has also recently entered the arena of renewable energy development. We are working with an Elmore County landowner for a staged wind development project and have high but untested expectations. Our first step is to locate wind anemometers to gather wind data. Commercially acceptable (from a lender's standpoint) anemometers are expensive to purchase and even more expensive to install at a 50 meter height. To reduce installation costs, we recently asked Idaho Power if we could install an anemometer on one of their transmission towers in close proximity to one of our selected locations, and on an FCC tower close to another. So far, Idaho Power said no, and we are waiting to hear from the FCC, which I expect will also say no. I will then try and swim upstream through both entities to find the person empowered to say "yes." Senator Crapo, you might be of assistance when it comes to the FCC. I will keep your office informed.

Bio-Gas Power. MVP was not seriously looking at bio-gas generated electricity until we were "double-teamed" by Mike Fields of Rural Development and Paul

Kjellander of the Idaho PUC. Many knowledgeable experts have studied the large scale animal feeding and animal waste problems and issues in the Magic Valley area. It appears that these studies have concentrated primarily on the "farm" side of the issue. It was Paul's and Mike's idea to have the "power" part of the problem looked at by some local power developers; that is, MVP. Commissioner Kjellander sits on BPA's "non-wires" solutions group: a regional inter-disciplinary group of talented people charged with the task of finding alternatives to BPA building (or paying an investor-owned utility, such as Idaho Power, to build) more and more transmission lines.

Mountain View Power recently submitted a proposal to conduct a feasibility study for a pilot project that would take bio-gas from a large animal feeding operation, such as a dairy, and generate electricity. Specifically, we want to identify and model for development a site that maximizes gas generation while minimizing animal waste storage and handling costs, gas transport costs and electrical interconnection costs. Such a site must also be located within a high summer peak-load area, such as near a large irrigation pumping load. Bonneville is looking at partially funding the feasibility study, along with Rural Development and the dairy industry.

The Idaho Legislature is pushing through two 11th hour bills that would provide both an investment tax credit and a production tax credit for renewable energy development². Tax credits as incentives appear very important to project viability. Whether state tax credits will be enough to get the first "digester" into commercial operation is an open question. Some "direct" financial assistance will also probably be necessary, at least for the first several. Federal energy legislation providing investment and/or production tax credits would be more important than state credits. A federal production credit for renewable energy (like the credit that expired at the end of 03) that ratchets down for state tax credits also available is punitive and bad public policy. If a state also wants to "credit" renewable energy development, why should the U S Treasury be the beneficiary?

The most significant problem with tax credits is that you need a tax appetite for the credit. Most developments in the early years do not have such an appetite. The Idaho tax credit bills were amended on their way to the House floor to provide for

² H760 and H761.

transferability of the credits. That was a wise amendment, especially for ICUA member utilities that are tax exempt.

A more significant tax incentive would be to provide a [state] sales tax exemption on purchase of renewable energy equipment. This involves real money a developer doesn't have to spend before a project starts generating cash-flow. Getting yet another sales tax exemption written into Idaho code is not without controversy however, and not going to happen this year, in spite of heroic efforts of Ridgeline Energy, trying to develop a 100 MW wind project outside Idaho Falls. Ridgeline is competing in a PacifiCorp RFP (bid) and is at a bidding disadvantage in that Wyoming, Montana and Utah either do not have a State sales tax, or exempt renewable energy equipment from sales tax. Idaho applies its sales tax to such equipment.

One of the biggest problems to be faced by a smaller, independent energy developer is electrical interconnection. Before you can even commence meaningful negotiations with a utility, you are generally required to "front" tens of thousands of dollars (and to sign an open ended commitment to pay what-ever the actual cost may be) for electrical interconnection studies. Once you achieve a signed power sales agreement, you can finance actual interconnection costs as part of the complete package. Up front money for utility studies hurts. There is probably no "governmental" answer to this significant cost however, and utility ratepayers should not be charged for this speculative cost.

The Public Utilities Regulatory Policy Act of 1978 (PURPA) mandates utilities buy independent power at the utility's "avoided cost." This is an avoided "generation" cost. In Idaho, for a projects smaller than 10MW, that purchase rate is about 5.5 cents per KWH (for a 20 year levelized contract). Bio-gas generated power probably has its best shot at commercial operation as a PURPA project. It takes the "guess work" out of pricing the end product.

Most transmission experts agree that our northwest transmission system is significantly constrained. If Bonneville and the other transmission owning utilities are really serious and committed to the idea of deferring transmission construction through the use of smaller scale bio-gas generators strategically positioned at peak demand locations, then it would seem that the concept of "avoided transmission costs" could

apply. I would not recommend yet another federal purchase mandate. I would, however, encourage economic experts and “modelers” at Bonneville, Idaho Power and the PUC to kick around the concept of an avoided transmission cost. Just as the PUC has found ways to encourage the utilities it regulates to “acquire conservation” (by allowing rate recovery of the purchases), the same could be said for “acquiring transmission” along the same lines [pun intended] as being pursued by the BPA “non-wires” transmission group.

Senator Crapo, this completes my testimony. I would be happy to answer any questions you or others may have.

Testimony of Mike Stewart,
Manager, Cascade Forest Resource Center

Before the Senate Subcommittee on Rural Development,
Chaired by Idaho Senator Mike Crapo

March 16, 2004
The Ashley Inn
Cascade, Idaho

Welcome again, Senator, to Cascade.

On behalf of the City, and myself personally, I want to thank you again for all the work you've done in the past to help us as we address a number of problems we have in rural Idaho – primarily unemployment and the myriad problems associated with catastrophic wildfire and restoring the health of the region's forests. Your leadership in getting the Healthy Forest Restoration Act passed last fall was critical. The work done by you and your Idaho colleagues in Congress has been most appreciated.

I fully understand that we are preaching to the choir here, as I look around and note those present. But it seems our message still hasn't gotten through to some of your colleagues from other states, particularly those back east.

Cascade is a perfect place for this hearing. It's a typical rural community that has seen the economic ups and downs that go with being tied to this nation's resource industries. It's almost three years now since the closure of the Boise Cascade mill here -- a closure that company officials blamed largely on the uncertainties of timber supply from federal lands. Though we weren't necessarily prepared for what happened, we've survived the loss of the mill and its \$4 million payroll. What we've seen since then, though, is a dramatic shift from a resource-based economy to one based on recreation and tourism. That's good, in the short term, as just about every construction worker with a tool belt around here is working. But long-term, those good paying construction jobs will be replaced by lower paying service jobs. That's a problem. What we need here are family wage jobs that are part of a diversified economy. We've had all of our eggs in one basket – the Boise Cascade basket – and we don't intend to repeat that error by putting them all in the recreation and tourism basket. But, more help is needed to develop sustainable rural economies based on biomass and small diameter timber – the material that will result from the scientifically-based treatment of tens of millions of acres of forest land in the west that scientists agree need help. In Cascade, as in many areas, we've almost entirely lost the infrastructure necessary to deal with that biomass.

Senator, the HFRA was a very positive step in the right direction, but I don't believe it went far enough in terms of support for small businesses, the small businesses that seem to be coming up with the most innovative ideas for using that material. In talking with various folks about the issue, I keep hearing a refrain, that with passage of the HFRA, the

job is done. I disagree. First, the \$760 million authorized in that bill has not been appropriated, and some believe the full amount won't. Second, the bill itself mentions only \$5 million that is specifically directed at rural areas – in a category called Rural Revitalization Technologies. There is another \$5 million authorized in a category called the Biomass Commercial Utilization Grant Program. But those two combined are only slightly more than 1 percent of the total authorization. Granted, this is America, and everyone will have an equal chance to tap into that \$760 million. But, as the problems lie in rural areas, so do the solutions. And, right now rural areas are at a disadvantage when it comes to the economic capital needed to rebuild that infrastructure. Another important facet of that \$760 million pool of money is that, according to every analysis I've seen so far, only \$80 million to \$100 million can be considered new money. By far, most of it will be shifted from existing programs, some of which have proven valuable in getting forest restoration job done on the ground thus far. For example, Economic Action Program funding has been zeroed out in the National Fire Plan's 2005 budget. EAP money is considered, by every Forest Service person I've spoken with, to be a very flexible and valuable source of help for small business.

Last week, Alaska Senator Lisa Murkowski issued a statement bemoaning the loss to her state of EAP funding, another piece of legislation that a coalition of community-based forestry advocate will push for this year is the revival of a bill cosponsored in 2000 by Senator Larry Craig, Senator Jeff Bingaman of New Mexico, and others – the Community-Based Forest and Public Lands Restoration Act. While some aspects of that legislation were ultimately incorporated into the HFRA, some were not, and one that wasn't could be very valuable to us.

Left out of HFRA was the creation of Restoration and Value-Added Centers, which were proposed for small communities around the rural west. That proposed bill focused on small businesses and gave them preference, on an annually escalating schedule, when it came to awarding contracts for forest restoration work.

Senator, a concern you've heard before, and will no doubt hear again, centers on the size of the problem, it's huge, and the scale of the work needed to solve it, that's also huge. From my perspective, we can approach it several ways, using large corporations, using small business, or a mix of both. Referring back to my eggs in one basket comment, there is stability and flexibility in small business. I much prefer that approach for Cascade.

Federal agencies also need to walk the talk. You're well aware of the Forest Concepts story, but here's another example. We've seen a number of new federal buildings built around here in recent years. While the cost effectiveness of heating those buildings with wood chips may be iffy, new technology is making it more feasible all the time. Alternate sources of heat, and construction methods using small diameter timber, in areas rich with those resources should be considered.

Last, Senator, we need an Energy Bill, one that includes transportation subsidies for biomass. There are several good projects in this region that presently aren't viable because of the high costs associated with the haul. The projects would use material that

has to be removed from the forest anyway, either by burning – which is becoming more and more difficult with tighter restrictions enacted to maintain good air quality – or by hauling. We might as well put that material to a good use creating jobs and economic activity, while also recovering some of the costs of forest health restoration.

Senator, thank you again for holding this hearing. Again, I thank you for all you've done in this area in the past, and I hope you can successfully carry our message back to Washington, DC.

Testimony on Utilization of Small Diameter and Low Value Timber
And Application of the Healthy Forest Restoration Act of 2003
In the Forests of North Central Idaho

Before the Senate Agriculture Subcommittee on Forestry, Conservation and Rural
Development by
Joyce Dearstyne, Director, Framing Our Community
March 16, 2004

I would like to thank Senator Crapo for the opportunity to testify today about how rural Idaho communities are addressing economic development needs and how the Healthy Forest Restoration Act of 2003 does and does not help in our efforts.

My name is Joyce Dearstyne, I am the Director of Framing Our Community, a community-based forestry nonprofit organization located in Elk City, Idaho and I would to introduce you to an exciting and innovative rural community development program that is occurring in the Clearwater Mountains of North Central Idaho. Framing Our Community (FOC) has developed a holistic approach to community-based forestry that attacks the root causes of rural poverty in regions that are dependant on federally managed natural resources for their survival. This program brings diverse and often opposing groups to the table to make decisions at the local level about the care, handling and economic direction of the national forests that such communities are dependant upon. This action-oriented initiative begins in the woods with low impact methods of forest restoration and fuels reduction; progresses to the manufacturing of value-added wood products and the development of urban, social and green conscious consumer markets. Modern technology, specifically the power of the internet, will eliminate the problem distance has previously caused in accessing markets. The final piece of our puzzle will be the utilization of woody debris for the generation of electricity and heat at a local biomass cogeneration plant. Sound business practices, the power of e-commerce, the strength of networking and the ability to think out of the box will enable our rural Idaho businesses to prosper.

First let me introduce you to my town. Elk City is a natural resource dependant community that was founded during the Gold Rush days of the 1860's. Mining was followed by the Timber Industry and our town has experienced the boom and bust cycles common to all commodities based economies. During the boom days of the timber industry, we boasted a population of 1,500, but the Canadian softwoods battle, changes in national focus and concerns by consumers for the sustainable use of our resources have brought hard times. Elk City's current poverty level stands at sixty-four percent (64%), with eighty-four percent (84%) of our school children enrolled in the free and reduced lunch program. Our high school children must board out with friends, family and even strangers to complete their highschool education and those unable to do so get left behind with few options for the future. We have been identified as an under served area and participate in the federal commodities and Senior Meals program. Idaho County has been identified as a low income and high unemployment area, with more than fifty percent of our children living in poverty.

Our focus today is on how Framing Our Community's programs facilitate the utilization of low value timber in the production of value-added wood products and how the Healthy Forest

Restoration Act of 2003 will assist us in accessing these materials to use for business development while reducing the extreme fire hazard in the national forest that surrounds our community. This will be accomplished through the development of wholesale and retail wood products manufactured from small diameter, standing dead, and diseased timber and through the implementation of low impact methods of forest restoration, fuels reduction and defensible space programs.

In the last century, our surrounding forests – which consist primarily of 80-year-old lodge pole pine, as well as other softwoods have fallen on hard times. Timber harvests have been largely curtailed by the elimination of logging in the national forests while our lodgepole pine has reached its maturity: now, those lodgepole pines are dying of old age as well as by attacks of the mountain pine beetle. There is increasing fire danger from dead timber and the forest has become more, unhealthy each year. The result of all this has been a severe decline in the physical and economic health of the region.

August of 2001, FOC conducted a business-feasibility study to determine if the small-diameter softwood timber that was going to waste in the forests could become a profit center for the community. Importantly, we wanted to utilize any infrastructure that was already in place, and grow it from there, utilizing businesses and workers that were established. The organization's goals were:

- to create year around employment that paid a living wage and had health benefits,
- to set up a business incubation company that fosters secondary wood manufacturing operations that would become independent and profitable
- to offer marketing and business development and management training or support for business owners
- to provide connections to urban markets and provide the ability to conduct e-commerce
- to improve the health of the local forests through fuels reduction and restoration projects
- to implement a monitoring and verification system
- and, to create a process that could be tailored to the assets and strengths of and adapted for use by other rural communities

In 2001 a feasibility study confirmed FOC's initial thoughts. Lodgepole pine is one of the straightest-growing trees in the North American softwood forests and the large amounts of standing dead timber in the surrounding forest would not require kiln drying to make into timbers for timber frame buildings and other value-added products. A Small Business Incubator would allow us to develop multiple businesses that manufacture products whose production needs are less than 10% of the raw material required to run a standard saw mill for one year. The feasibility study was followed by a five-year business plan to construct a light manufacturing facility that would help established businesses grow, recruit new industry into the region and create new businesses that utilize materials derived from the fuels reduction and understory thinning projects necessary to improve the health of our forest.

To do this we needed to:

- Build a modern production facility
- Offer tenants a low entry rental fee
- Provide equipment for shared use
- Offer connections to urban markets, brokers and the internet
- Offer business management and development training and training in marketing
- Offer in-house bookkeeping and marketing services
- Advertising on the incubator website and ability to conduct E-commerce

Urban, niche and emerging consumer markets were researched, then businesses were identified that would utilize the available low value timber to manufacture wholesale and retail products for the identified growing markets.

They include:

- Timber frame buildings that last hundreds of years using construction methods that showcase the warmth natural beauty of wood by exposing beams
- Rustic home and office furnishings
- Round pole structures, bridges, and other products researched and designed by the Forest Service Forest Products Lab in Madison, WI
- Custom doors for homes and historic buildings
- Custom European windows and windows for historic buildings
- Quality gift items like natural wood pens and puzzles
- A line of high style furniture
- Paneling, custom molding, wainscoting and decking
- The most important product that the incubator will sell is the Story of Framing Our Community's about how our rural community is using forest restoration and fuels reduction projects to improve the health of the forest and the health of our community. This incubator is expected to generate millions of dollars for the region annually, help restore the health of our forest, and make FOC financially independent within five years, a true Win-Win situation.

The Healthy Forest Restoration Act of 2003, multi-year agreements with the Bureau of Land Management and the Forest Service, used in conjunction with Categorical Exclusions and Stewardship contracts, will facilitate FOC's "Jobs in the Woods" program which trains unemployed workers in methods of forest restoration that create the least possible soil and vegetative disturbance. This program reduces fire hazard, restores habitat, and mitigates forest and watershed deterioration. The University of Idaho and FOC will spearhead a pre-planning and monitoring process that includes environmental and conservation organizations, the timber industry, the Nez Perce Tribe and community members.

Framing Our Community will assist the Nez Perce National Forest and the BLM in their efforts to communicate and collaborate with the community and community organizations, complete forest and

watershed restoration projects and help complete - where appropriate - work on the ground. This would be accomplished through:

- Public and agency meetings facilitated by FOC which explain recently acquired authorities and legislated mandates. This would be accomplished through a Basic NEPA Course for the public which gives an overview of NEPA goals and requirements and available contracting mechanisms (i.e. stewardship authorities, service and sales contracts). Our thought is that if the public has a better understanding of the NEPA process and Stewardship Authorities they will be more understanding of the time that is required for this process.
- Facilitate informed discussions to identify where treatment should occur and to discuss environmental concerns to minimize litigation while improving the health of the forest.
- Help the Nez Perce Forest meet 2004 objectives in the Red River drainage by offering trained local contractors to assist in jobs that the agencies no longer have staff for.
- Improvement of watersheds through joint restoration projects, to which FOC would bring funding, low impact equipment, partners and workers.
- Complete such tasks as cruising and marking trees, thinning of the overcrowded understory for fuels reduction and to interrupt the pine beetle insect infestation, and noxious weed treatment.

Elk City is located at the end of the power grid, the power lines come over the mountains to town and service is frequently interrupted for protracted periods of time during storms. Production and education come to a screeching halt after one hour as local businesses and the school, send workers and students home. Therefore, this spring, we will conduct a biomass energy feasibility study and if we have a sufficient supply of materials a biomass energy plant that generates electric power and heat will be constructed.

The intent of the Healthy Forest Restoration Act of 2003 is to reduce wildfire risk, improve utilization of forest biomass, protect watersheds, promote early detection and intervention of insect infestations, promote the recovery of endangered species, enhance productivity and carbon sequestration. At the local level we expected this legislation to be a silver bullet that would reduce hazardous fuels, interrupt insect infestation and create opportunities for employment. What we have found is:

- that, as requested, we will play a bigger role in management of our surrounding national forest and that with work and in time there will be opportunities for local workers in fuels reduction, defensible space and restoration projects.
- We also learned that categorical exclusions do not apply to areas that are already well into the NEPA process and are not the quick fix expected to eliminate the danger of a catastrophic fire.
- Under the Communities at Risk definition larger population centers are targeted to receive the majority of funding and small rural communities will have limited funds to work with, when in fact the million acre fire of 1910 started outside of Elk City and burned to the Canadian border right through the more populated areas.

We applaud Congress for enacting the HFRA because it promises to be an important tool that FOC will use to effect the treatments necessary to reduce the potential of catastrophic fire, improve the Health of the forest, become more involved in the decisions made on federally managed lands and create economic stability for our rural community. But it will take time and money to build the infrastructure necessary for local workers to capture available Forest Service and BLM contracts.

To this end we urge Congress to:

- appropriate funds so these legislated actions can get on-the-ground
- develop a method for funding, interaction and coordination of efforts with the USDA Rural Development, the U.S. Forest Service and the Bureau of Land Management
- Set in place mechanisms for nonprofits to build capacity, purchase equipment and train workers for the available jobs.
- Create restoration/value-added centers that are located in rural communities that are within or adjacent to national forests
- Provide funds to communities under 5,000 for:
 - Infrastructure, like equipment and building construction
 - Capacity building, training and tools for towns and organizations to become self sufficient
 - Product development, technical and financial assistance directly to small and micro-enterprises in the form of grants, revolving loans or lines of credit or other means to provide access to growth or start up capital

Framing Our Community works at developing solutions and over the next five-years FOC's efforts could have a significant impact on Idaho County by creating 40+ jobs and assisting in the retention of 100+ jobs. Our hope is that you will help us in this effort and take the next steps necessary for creating rural economic development and getting work done on-the-ground.

Submitted by: Phil Davis
March 16, 2004

Rural Development Field Hearing

Valley County recognizes how important the Healthy Forest Restoration Act really can be to the county and it's local dependent communities. We also appreciate the flexibility that is part of the Act.

The President's Healthy Forest vision certainly provided "tools" to protect the federally administered lands from catastrophic fire and disease, there by, enhancing species habitat, water quality, air quality, and the human environment in general.

The Act provides the federal land managers and counties, with the opportunity and the "tools" they need to respond to the crisis of overgrowth, insect infestation, deadfall and disease, which turns productive - sustainable forests into tinderboxes for catastrophic wildfires creating an extended loss in biodiversity.

Importantly, these worthy goals will not become reality without clear directives to the Forest Service Line Officers for the implementation of the Act and the funding for various program budgets will depend on Congressional appropriations.

Success of local decisions and projects will depend on how the appropriated funds are allocated.

To insure successful implementation of the Healthy Forest Restoration Act, there must be adequate distribution of the appropriated funds at the Forest Service's regional and supervisory levels to insure that the local decisions will be funded. Similar funding must be available to all support agencies, both federal and state, for consultation or concurrence on projects.

The timely success of the Act is dependent on provisions that alleviate gridlock, which historically has occurred under Section 7 consultations pursuant to the Endangered Species Act. Clear directives must be given regarding Biological Assessments" thus requiring Forest Service biologists to re-examine threshold levels for "may effect" determinations.

Evaluation of the "NO ACTION" alternative, under the National Environmental Policy Act, will substantiate the true state of the environment and the detrimental effects of the "lack of active management" on the federally administered lands.

Emphasis must be placed on customary economic uses in rural communities that are less economically diverse and more dependent upon outputs of goods and services from federally administered lands.

Tough environmental safeguards in the Act have provided heightened restrictions on management activities and at the same time, priority was given to management projects near communities and watersheds.

Such as:

- Facilitate the use of otherwise valueless wood, brush, and slash for production of biomass energy; and
- Authorize federal programs to support community-based partnerships addressing forest stewardship, watershed protection and restoration needs at the state and local level;

These programs need funding and grants must be made available to local residents allowing for the hope and entrepreneurial spirit of Idahoans to emerge once again. With the loss of the sawmill in Cascade, not only has the effect been devastating to families and the socio-economics of the county, there is also the loss of a facility and the means to locally utilize any woody materials obtained.

Secretary of Agriculture Ann Veneman, on the Healthy Forests Restoration Act of 2003, stated:

" The Act will further our on-going efforts with states, Indian tribes and local communities to address forest conditions that pose catastrophic fire risks from unnatural fuel buildup and serious insect and disease infestations."

In that same spirit, I believe, emphasis must be placed on encouraging the county's inclusion in decision-making through "cooperating agency" status, which is federally mandated in the National Environmental Policy Act, and was reinforced by the President in memo format to all federal agencies.

However, we must not lose sight of historic obligations and goals, which insure good stewardship of federally administered lands through active management, and helps the United States Government, acting through the Forest Service and the BLM, to fulfill the 1908 25% fund commitment to the states.

The Fire Mitigation Plan nears completion for Valley County. The Plan addresses defensible space and general fire mitigation, allowing the county to provide for public safety through the Healthy Forest Restoration Act.

Successful implementation of the Fire Mitigation Plan can only be insured through cooperation between the Forest Service and the county with oversight from Idaho's Congressional Delegation.

Clearly, resource management decisions significantly impact local communities and the people who live in them. Most often, the communities adjacent to federally administered lands will more prominently feel these impacts directly.

As a result, it is critical that partnerships with local government be implemented to ensure that people, who live on the private lands that border federally administered lands, and people who live and work in the area, have local representation.

I reiterate some of the other important components that I feel are required to meet the goals of the Act as well:

- Clear and precise directives for implementation;
- Funding to federal agencies that will ACTUALLY be used for local projects;
- Funding to the state and local governments;
- Funding Economic Development Grants to local residents; and
- Active management.

In this instance, active forest management includes fuels reduction that simultaneously will meet long-term ecological, economic, and community objectives, which is after all, the overall objective of The Healthy Forest Restoration Act.

**Testimony of
Karl Tueller, Deputy Director, Idaho Department of Commerce
to the Subcommittee on Forestry, Conservation, and Rural Revitalization
of the Senate Agriculture, Nutrition, and Forestry Committee**

Senator Crapo, thank you for holding this field hearing in Cascade, Idaho. I am here today to represent a regional effort called the Inland Northwest Economic Adjustment Strategy, or INEAS. This is a project that has been underway since 1998. It is led by the four states of Idaho, Montana, Oregon, and Washington, together with the Affiliated Tribes of Northwest Indians and has involved hundreds of local elected officials, business leaders, and community sparkplugs. You've heard some of the previous witnesses today refer with hope to the INEAS project, because it integrates many of the aspirations these organizations have for our region.

Senator Crapo, we have done our homework. We've gone to considerable length to document the distress our region is experiencing and the socio-economic consequences of the cumulative natural resource policy decisions that affect us. We've also taken a hard look at the many regional and local plans for economic development. I don't need to go into detail here, because you have recently introduced SB 2162, the Inland Northwest Revitalization Act, which is the culmination of our project's efforts. I have appended an executive summary of the Inland Northwest Economic Adjustment Strategy to my testimony today, which I ask to be included with my comments.

Rather, I am here today to thank you on behalf of all the many partners involved with this project, and to speak briefly about the philosophy behind this bill and why we think this bill can have an important positive impact upon our region.

The four states, 23 tribes, 137 counties, and numerous cities have come together on this project, because we found ourselves in similar circumstances. We have historically been a region with a rich endowment of natural resources and hardworking people. More than half of the Inland Northwest is owned by the federal government, and many of us made our living from the land in agriculture, forestry, grazing, mining, and outdoor recreation. For decades we were world leaders in the production of many natural commodities, but changes in national values have led to numerous restrictions on the way the land is now used. We've lost much of our competitive advantage as a region, and we are all struggling to regain it in more sustainable fashion.

As you know, rural development is a policy area that is highly fragmented at both federal and state levels in terms of policy, program and authority.. There are dozens of federal programs addressing numerous aspects of rural development, and each state and tribe has its own set of institutions.

What makes the INEAS project unusual, and the reason I believe it is well worth pursuing, is that it transcends the political boundaries of county, state, and reservation, to build bridges across levels of government, agency funding streams, and assistance organizations. We are proposing to bring together the local economic development districts, the RC&Ds, all our universities, the national laboratories, industry groups and community leaders to explore opportunities to increase our region's competitiveness and to identify and overcome any obstacles. It's going to take cooperation and collaboration among private businesses, public agencies, and communities to make the Inland Northwest more competitive in global markets.

This spirit of regional collaboration pervades each element of our proposed strategy. Let me quickly highlight three areas. We will begin by building on the efforts of some states to foster clusters of related businesses. These business clusters look at their common issues up and down the supply chain. They may find actions they can take together that have to do with improving input supplies, or training local workforces, incorporating new technologies, or penetrating new markets. We think some of these business clusters will help our traditional industries find new paths to sustainability—making use of small diameter trees, value-added food products, and renewable energy come to mind. Others clusters will play on emerging national trends—makers and users of information technology, health services for rural seniors, biotechnology.

We also propose to work together by building working networks of practitioners from public agencies, nonprofit service deliverers, and units of higher education to work on narrower issues like fostering entrepreneurship, managing business incubators, encouraging e-commerce, technology commercialization, and community capacity-building. Each of these topics has its own set of experts within the region, who are in turn, connected to national networks. We want to enable rural practitioners to learn from one another, to replicate successes, and to measurably improve the quality and scale of help going to businesses and communities in our region.

The third example of the collaborative spirit is in the regional body that will guide and administer the project. Your bill, the Inland Northwest Revitalization Act creates a 40-member Inland Northwest Regional Partnership, composed of 10 representatives from each state. Three are selected to represent each state by their governor; USDA-RD and EDA send each state's agency director; one tribal leader from each state will be selected by ATNI; a mayor and county commissioner come from each state's association; industry groups nominate one business leader and chambers of commerce another from each state. Power is further shared by electing five Co-Chairs, one each for federal, state, tribal, local and private sectors. We believe this diverse partnership will ensure that all perspectives are represented fairly and that INEAS is implemented in a responsible and accountable way for the region's greater good. We also believe that by composing the Partnership of members who serve by virtue of another office, we are avoiding the duplication of effort. These partners are already active players in regional development, and they are already committing time, energy and resources to moving the region forward. In this way the Inland Northwest Regional Partnership will act as the glue to bring the fragmented efforts together and to realize the synergy of a most unusual regional effort.

It is worth pointing out that one specific place where we will seek synergy is with the Healthy Forest Restoration Act. This important piece of legislation is an investment in restoring forest ecosystems. Yet a sustainable region also requires sustainable communities and sustainable local economies. The Healthy Forest Restoration Act provides potentials for local socio-economic benefits. We think the Inland Northwest Revitalization Act is a perfect complement to help ensure that businesses, workers, and communities here in timber country capture as much of the flow of economic benefits as possible in the work of environmental restoration and in the use of the forest products that flow from that restoration work.

Please note that our strategy is designed to find and exploit business opportunities, rather than being driven by community needs. We are trying to learn from the lessons of the Northwest Timber Initiative of the 1990's which invested in the region west of the Cascades as mitigation for the impacts of the spotted owl. There considerable federal dollars were invested in locally identified priorities, mostly in infrastructure. Much investment was driven by the need of small communities to comply with various federal mandates. We don't believe that merely complying with federal infrastructure standards will be sufficient to improve our region's competitive position. We want to aim more directly at our goals of job creation, economic

diversification, and business investment. To do that we will focus more on private sector involvement with business clusters and small business assistance. We will need to invest in infrastructure, but we will do so where we can demonstrate that it is a barrier to business development.

Accountability is a priority for the Inland Northwest Economic Adjustment Strategy. We have spent considerable time talking about how best to measure economic vitality and distress. In an earlier phase of our project, we worked with a team of consultants and state economists to develop a complex index of vitality. Your bill would ask us to classify all the 137 counties into distressed, competitive, and attainment categories. Moving a county from distress to attainment is the simple best measure of success. We will look at a number of other measures like job creation, business start-ups, and the like. One thing we know is that we would like to contract with an evaluation team from the start to help us record baseline data against which we can measure progress.

Finally, what will the Inland Northwest Economic Adjustment Strategy cost? The Northwest Timber Initiative cost over \$1.2 billion dollars over a six-year timeframe. We understand that times have changed and believe we make a difference with much less. We look forward to having this conversation with you, but we think that a baseline budget in the range of \$10-12 million per year will be sufficient to move most of our strategy forward. Of course, the business clusters and working groups will begin identifying strategic investments in programs and projects that will carry a much higher price tag. That is especially true of infrastructure investments in things like regional transportation systems and telecommunications capacity. To the extent possible, we will work to fund the public's share of these needs from existing program funding streams. However, we may need to ask for special consideration as these needs are quantified.

Again, thank you, Senator Crapo, for stepping up as a champion for our region's long-term economic viability. Our INEAS steering committee was very impressed by Senate Bill 2162, and we will work with you to polish it as we go through the process. Thanks go to your staff, and Bob Ford in particular, for his commitment to this project and hard work in crafting this bill. We wish you every success and pledge our support in your efforts to gain co-sponsors from among the Northwest delegation and passage of this bill in Congress.

Dwight A. Johnson, Acting Administrator
Rural and Community Development Division
Idaho Department of Commerce

Senator Crapo, it is my pleasure today to highlight some of the recent activities of the Idaho Rural Partnership. I am the past IRP Executive Director and currently the Acting Administrator of the Rural and Community Development Division at the Idaho Department of Commerce. I bring the regrets of the IRP Co Chairs Trent Clark and Roger Madsen as well as Executive Director Sara Braasch all of whom are in Washington, DC this week for meetings.

The Idaho Rural Partnership (IRP) is one of over 40 State Rural Development Councils as authorized in Rural Development Title of the 2002 Farm Bill. Based on that direction from Congress and a January, 2003 Executive Order from Governor Dirk Kempthorne, IRP has three specific duties:

1. Facilitate collaboration among Federal, State, local, and tribal governments and the private and nonprofit sectors in the planning and implementation of programs and policies that have an impact on rural areas of the State;
2. Monitor, report, and comment on policies and programs that address, or fail to address, the needs of the rural areas of the State; and
3. As part of the Partnership facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements of Federal, State, local, and tribal governments.

To fulfill these duties, IRP has a 30 person Board of Directors comprised of individual members representing the private sector as well as representatives from federal, state, tribal and local agencies and organizations. The role of the IRP Board is to assess conditions of rural Idaho, advise public policy makers on rural policies and strategies, identify/coordinate available services and resources, develop and promote private/public coordination and partnerships, seek solutions to unnecessary impediments to rural development, and facilitate successful implementation of rural initiatives in Idaho.

In order to garner broad input on current needs and priorities in rural Idaho, IRP organized the 2003 Idaho Rural Summit. The event was attended by almost 200 people on November 18 – 19 in Coeur d'Alene. The audience was a diverse mix of private and public sector that included representation from all of the geographic regions of Idaho. During the course of the Summit, participants heard reports from a variety of agency personnel on current rural development programs. Participants then created a large list of action items that were placed on a ballot and ranked by everyone in attendance. The top priorities from that process are listed on the attached IRP Rural Initiatives handout. IRP leadership and Board members are already utilizing these priorities to plan agency programs, select IRP committee leadership and plan 2004 programs and activities.

Based on internal planning and feedback from the 2003 Idaho Rural Summit, the IRP Board of Directors has identified a number of strategic issues for the coming year including:

- Serve as "Champion" for Rural Idaho
- Expand competitive access to domestic and international markets
- Seek resolution of conflicts especially on environmental issues
- Provide leadership training and development
- Serve as 'One Stop Shop' including an update to the resource directory and creation of an inventory/electronic access/website to information on programs

In order to tap expertise from across the State, IRP has created a number of standing committees and welcomes volunteer participation in any of the following committees – economic development, education/workforce development, environment, leadership training, policy, and finances/funding. The IRP is housed in the Idaho Statehouse so that it can effectively coordinate with the general public and all branches of government. Additional information about IRP and how to become involved is available at www.irp.idaho.gov.

As IRP works to achieve its goals, we will work closely with the National Rural Development Coordinating Committee as authorized in the 2002 Farm Bill. Per the congressional direction, we look to that group to cross agency lines to solve problems and create opportunities for rural America.

In closing, I do want to publicly thank the folks that have made IRP activities possible through their cash contributions. State Rural Development Councils, like IRP, have been funded traditionally by federal funds through the U.S. Department of Agriculture Rural Development. In 2003, the IRP obtained additional significant private funding from Bechtel BWXT Idaho at the Idaho National Engineering and Environmental Laboratory (INEEL) and Monsanto Company. In addition, IRP has received state funding through the Idaho Workforce Development Training Fund. The IRP will utilize these contributions and seek additional funding from other private sources to expand and enhance its ability to serve rural Idahoans.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 16, 2004



BUILDING PEOPLE, PLACES AND PARTNERSHIPS

March 10, 2004

Mr. Bob Ford
 Office of The Honorable Mike Crapo
 304 N. Eighth Street
 Boise, Idaho 83702

Dear Bob:

Re: Rural Development Field Hearing
 Cascade, Idaho

As we discussed, written testimony for the Rural Development Field Hearing, Multi-Family Housing panel, is enclosed. The additional requested copies will be delivered to the Field Hearing.

Attached to the written testimony are:

- Adjusted Income Limits used by Rural Development for qualifying families in Idaho for subsidized housing and loan programs.
- Lists of Rural Development Rental Projects by Area

We appreciate the opportunity to provide testimony on this very important topic.

Very truly yours,

Mary W. Pridmore
 Mary W. Pridmore
 Director of Housing Development

Enclosures



Neighborhood Housing Services, Inc.
 416 South 8th Street • Suite 101 • P.O. Box 8223 • Boise, Idaho 83707
 (208) 343-4065 • FAX (208) 343-4963 • www.boiserlhs.org



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----- A J U S T E D I N C O M E L I M I T S -----

| | PROGRAM | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON | 8 PERSON |
|---------------------------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
| Boise City, ID MSA | | | | | | | | | |
| VERY LOW INCOME | 19250 | 22000 | 24750 | 27500 | 29700 | 31900 | 34100 | 36300 | |
| LOW INCOME | 36800 | 35200 | 36600 | 44000 | 47500 | 51050 | 54550 | 58100 | |
| MODERATE INCOME | 36300 | 40700 | 45100 | 49500 | 53000 | 56550 | 60050 | 63600 | |
| 38 YEAR TERM | 21100 | 26400 | 29100 | 31000 | 35600 | 38300 | 40900 | 43550 | |
| ADJ. MEDIAN INC. ** | 35500 | 44000 | 49500 | 55000 | 59400 | 63800 | 68200 | 72600 | |
| Pocatello, ID MSA | | | | | | | | | |
| VERY LOW INCOME | 17200 | 19700 | 22150 | 24600 | 26550 | 28550 | 30500 | 32450 | |
| LOW INCOME | 21550 | 31500 | 35100 | 42500 | 53350 | 48000 | 48800 | 51950 | |
| MODERATE INCOME | 303050 | 37000 | 40900 | 44850 | 51150 | 54300 | 57450 | | |
| 38 YEAR TERM | 26650 | 23600 | 26550 | 29500 | 31900 | 34250 | 36800 | 38950 | |
| ADJ. MEDIAN INC. ** | 34400 | 39400 | 44300 | 49200 | 53100 | 57100 | 61000 | 64900 | |
| Adams County | | | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| LOW INCOME | 26600 | 29250 | 32000 | 36530 | 39600 | 42400 | 45350 | 48250 | |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| ADJ. MEDIAN INC. ** | 32000 | 36400 | 41100 | 45700 | 49400 | 53300 | 56700 | 60300 | |
| Bear Lake County | | | | | | | | | |
| VERY LOW INCOME | 16000 | 18100 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| LOW INCOME | 26600 | 29350 | 32000 | 36550 | 39600 | 42400 | 45350 | 48250 | |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| ADJ. MEDIAN INC. ** | 32000 | 36600 | 41100 | 45700 | 49400 | 53300 | 56700 | 60300 | |
| Bonneville County | | | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| LOW INCOME | 26600 | 29350 | 32000 | 36550 | 39600 | 42400 | 45350 | 48250 | |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| ADJ. MEDIAN INC. ** | 32000 | 36600 | 41100 | 45700 | 49400 | 53300 | 56700 | 60300 | |
| Bingham County | | | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| LOW INCOME | 26600 | 29250 | 32000 | 36550 | 39600 | 42400 | 45350 | 48250 | |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| ADJ. MEDIAN INC. ** | 32000 | 36600 | 41100 | 45700 | 49400 | 53300 | 56700 | 60300 | |

* ADD 8% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$5500 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES

** THIS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

03/08/2004 SPECIAL EN

Very Low Income = 60% of Area Median Income or Below

Low Income = 60-80% of Area Median Income

Moderate Income = 80% or above

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STATE: IDAHO

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----- A J U S T E D I N C O M E L I M I T S -----

| | PROGRAM | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON | 8 PERSON* |
|-------------------|---------------------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Blaine County | VERY LOW INCOME | 24900 | 28500 | 32050 | 35600 | 38450 | 41300 | 44150 | 47000 |
| | LOW INCOME | 39850 | 45550 | 51050 | 56950 | 61500 | 66050 | 70550 | 75250 |
| | Moderate Income | 45350 | 51050 | 57750 | 63450 | 67000 | 71550 | 76150 | 80750 |
| | 38 YEAR TERM | 29900 | 34200 | 38450 | 42700 | 46150 | 49550 | 52950 | 56400 |
| Boise County | ADJ. MEDIAN INC. ** | 49800 | 57000 | 65100 | 71200 | 76500 | 82600 | 88300 | 94000 |
| | VERY LOW INCOME | 18050 | 20650 | 23150 | 25800 | 27850 | 29550 | 32000 | 34050 |
| | LOW INCOME | 28900 | 33000 | 37150 | 41300 | 44600 | 47950 | 51200 | 54500 |
| | Moderate Income | 34400 | 38500 | 42650 | 46800 | 50100 | 53000 | 56700 | 60000 |
| | 38 YEAR TERM | 21650 | 24750 | 28850 | 32950 | 35950 | 38450 | 40850 | 43100 |
| | ADJ. MEDIAN INC. ** | 36100 | 41300 | 46400 | 51600 | 55100 | 59300 | 64000 | 68100 |
| Bonner County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26550 | 28350 | 30150 |
| | LOW INCOME | 25600 | 29250 | 32950 | 36550 | 39500 | 42400 | 45350 | 48250 |
| | Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47950 | 50500 | 53750 |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29800 | 31800 | 34000 | 36200 |
| | ADJ. MEDIAN INC. ** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 |
| Bonneville County | VERY LOW INCOME | 18950 | 21650 | 23350 | 27050 | 29300 | 31400 | 33550 | 35700 |
| | LOW INCOME | 30300 | 34600 | 38350 | 43300 | 46150 | 50200 | 53650 | 57150 |
| | Moderate Income | 35800 | 40100 | 44450 | 48800 | 52250 | 55700 | 59150 | 62650 |
| | 38 YEAR TERM | 22700 | 25950 | 28200 | 31450 | 35050 | 37650 | 40250 | 42850 |
| | ADJ. MEDIAN INC. ** | 37900 | 43300 | 48700 | 54100 | 58400 | 62800 | 67100 | 71400 |
| Boundary County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26550 | 28350 | 30150 |
| | LOW INCOME | 25600 | 29250 | 32950 | 36550 | 39500 | 42400 | 45350 | 48250 |
| | Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47950 | 50500 | 53750 |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29800 | 31800 | 34000 | 36200 |
| | ADJ. MEDIAN INC. ** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 |
| Butte County | VERY LOW INCOME | 16250 | 18550 | 20900 | 23200 | 25650 | 26900 | 28750 | 30600 |
| | LOW INCOME | 26000 | 29700 | 33300 | 37100 | 40100 | 43050 | 46050 | 49000 |
| | Moderate Income | 31500 | 33200 | 38300 | 42600 | 45500 | 48550 | 51550 | 54500 |
| | 38 YEAR TERM | 19500 | 22250 | 25550 | 27850 | 30050 | 32300 | 34500 | 36750 |
| | ADJ. MEDIAN INC. ** | 32500 | 37100 | 41800 | 46400 | 50100 | 53800 | 57500 | 61200 |

* ADD 8% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$500 SHOULD BE ADDED TO THE RESPECTIVE LOW INCOME LIMIT FOR 8+ PERSON FAMILIES
** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

| | | ADJUSTED INCOME LIMITS | | | | | | | | |
|-------------------|--------------------|------------------------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | | PROGRAM | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON | 8 PERSON* |
| Camas County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25600 | 32920 | 36550 | 42500 | 47400 | 42400 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47300 | 50550 | 53150 | |
| | 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 47000 | 49400 | 53000 | 56700 | 60300 | |
| Caribou County | VERY LOW INCOME | 19350 | 22100 | 24900 | 27650 | 29850 | 32050 | 34300 | 36500 | |
| | LOW INCOME | 30950 | 35400 | 39800 | 44250 | 47800 | 51300 | 54850 | 58100 | |
| | MODERATE INCOME | 36450 | 40900 | 45300 | 49750 | 53300 | 56800 | 60350 | 63900 | |
| | 38 YEAR TERM | 23220 | 26550 | 29850 | 33200 | 35850 | 38500 | 41150 | 43800 | |
| | ADJ. MEDIAN INC.** | 38700 | 44200 | 49800 | 55300 | 59700 | 64100 | 68600 | 73000 | |
| Cassia County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25600 | 29250 | 32900 | 36550 | 402050 | 43000 | 47900 | 50550 | 53750 |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47400 | 50550 | 54250 | |
| | 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |
| Clark County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 | 53750 | |
| | 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |
| Clearwater County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 | 53750 | |
| | 38 YEAR TERM | 19220 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |
| Custer County | VERY LOW INCOME | 17150 | 19600 | 22050 | 24500 | 26450 | 28400 | 30400 | 32350 | |
| | LOW INCOME | 21450 | 21350 | 33300 | 33200 | 42350 | 45450 | 48600 | 51150 | |
| | MODERATE INCOME | 24950 | 36850 | 40800 | 47100 | 47850 | 50950 | 54100 | 57250 | |
| | 38 YEAR TERM | 20600 | 23500 | 26450 | 29400 | 31750 | 34100 | 36450 | 38800 | |
| | ADJ. MEDIAN INC.** | 34300 | 39200 | 44100 | 49000 | 52900 | 56800 | 60800 | 64700 | |

* ADD 8% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$500 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES

** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

| PROGRAM | ADJUSTED INCOME LIMITS | | | | | | |
|--------------------|------------------------|----------|----------|----------|----------|----------|----------|
| | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON |
| Elmore County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47400 | 50550 |
| 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Franklin County | | | | | | | |
| VERY LOW INCOME | 16100 | 18400 | 20700 | 23000 | 24850 | 26700 | 28500 |
| LOW INCOME | 25750 | 29450 | 33100 | 36800 | 39750 | 42100 | 45650 |
| MODERATE INCOME | 31250 | 34950 | 38600 | 42300 | 45250 | 48200 | 51150 |
| 38 YEAR TERM | 19300 | 22100 | 24850 | 27600 | 29800 | 32000 | 34400 |
| ADJ. MEDIAN INC.** | 32200 | 36800 | 41400 | 46000 | 49700 | 53400 | 56450 |
| Fremont County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 |
| 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Gem County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 |
| 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Gooding County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 |
| 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Idaho County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42100 | 45350 |
| MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 |
| 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |

* ADD 8% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$5500 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES
** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

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STATE:IDAH0

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| | | A J U S T E D I N C O M E L I M I T S | | | | | | | | |
|-------------------------|--------------------|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | | PROGRAM | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON | 8 PERSON* |
| Jefferson County | VERY LOW INCOME | 16500 | 18800 | 21250 | 23600 | 25500 | 27400 | 29250 | 31150 | |
| | LOW INCOME | 26450 | 30200 | 34000 | 37750 | 40800 | 43800 | 46800 | 49850 | |
| | MODERATE INCOME | 31950 | 35700 | 39500 | 43250 | 46300 | 49300 | 52300 | 55350 | |
| | 38 YEAR TERM | 19800 | 22650 | 25500 | 28300 | 30600 | 32850 | 35100 | 37400 | |
| | ADJ. MEDIAN INC.** | 33000 | 37900 | 42500 | 47200 | 51000 | 54800 | 58500 | 62300 | |
| | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| Jerome County | LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36800 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |
| | VERY LOW INCOME | 16200 | 19300 | 21750 | 24150 | 26100 | 28000 | 29950 | 31900 | |
| | LOW INCOME | 27050 | 30900 | 34800 | 38650 | 41750 | 44800 | 47900 | 51000 | |
| Kootenai County | MODERATE INCOME | 32550 | 36100 | 40300 | 44150 | 47250 | 50300 | 53100 | 56300 | |
| | 38 YEAR TERM | 20300 | 22200 | 26100 | 29000 | 31300 | 33600 | 35950 | 38250 | |
| | ADJ. MEDIAN INC.** | 33800 | 38800 | 43300 | 48300 | 52200 | 56000 | 59900 | 63800 | |
| | VERY LOW INCOME | 17700 | 20200 | 22350 | 25250 | 27250 | 29300 | 31300 | 33350 | |
| | LOW INCOME | 28400 | 32400 | 36350 | 40400 | 43650 | 46850 | 50100 | 53350 | |
| | MODERATE INCOME | 33800 | 37800 | 41850 | 45900 | 49150 | 52350 | 55600 | 58850 | |
| Latah County | 38 YEAR TERM | 21200 | 24250 | 27500 | 30300 | 32700 | 35150 | 37550 | 40000 | |
| | ADJ. MEDIAN INC.** | 33400 | 38400 | 43400 | 48300 | 52500 | 56800 | 62600 | 67100 | |
| | VERY LOW INCOME | 16000 | 18100 | 20350 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25000 | 29500 | 32800 | 36550 | 39500 | 42400 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| Lemhi County | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |
| | VERY LOW INCOME | 16000 | 18100 | 20350 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |
| Lewis County | VERY LOW INCOME | 16000 | 18100 | 20350 | 22850 | 24700 | 26500 | 28350 | 30150 | |
| | LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 | 48250 | |
| | MODERATE INCOME | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 | 53750 | |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 | |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 | 60300 | |

* ADD 8% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$500 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES

** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

| PROGRAM | ADJUSTED INCOME LIMITS | | | | | | |
|--------------------|------------------------|----------|----------|----------|----------|----------|----------|
| | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON |
| Lincoln County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 |
| MODERATE INCOME | 31100 | 34150 | 38400 | 42050 | 45000 | 47900 | 50850 |
| 38 YEAR TERM | 19200 | 21950 | 24100 | 27400 | 29600 | 31800 | 34900 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Madison County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 |
| MODERATE INCOME | 31100 | 34150 | 38400 | 42050 | 45000 | 47900 | 50850 |
| 38 YEAR TERM | 19200 | 21950 | 24100 | 27400 | 29600 | 31800 | 34900 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Minidoka County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 |
| MODERATE INCOME | 31100 | 34150 | 38400 | 42050 | 45000 | 47900 | 50850 |
| 38 YEAR TERM | 19200 | 21950 | 24100 | 27400 | 29600 | 31800 | 34900 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Nez Perce County | | | | | | | |
| VERY LOW INCOME | 17100 | 19500 | 21950 | 24400 | 26350 | 28300 | 30250 |
| LOW INCOME | 27350 | 31250 | 35150 | 39050 | 42150 | 45300 | 48400 |
| MODERATE INCOME | 32850 | 36750 | 40550 | 44550 | 47650 | 50800 | 53900 |
| 38 YEAR TERM | 20500 | 23400 | 26350 | 29300 | 31600 | 33950 | 36300 |
| ADJ. MEDIAN INC.** | 34200 | 39000 | 43900 | 48800 | 52700 | 56600 | 60500 |
| Oneida County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 |
| MODERATE INCOME | 31100 | 34150 | 38400 | 42050 | 45000 | 47900 | 50850 |
| 38 YEAR TERM | 19200 | 21950 | 24100 | 27400 | 29600 | 31800 | 34900 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| Owyhee County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32800 | 36550 | 39500 | 42400 | 45350 |
| MODERATE INCOME | 31100 | 34150 | 38400 | 42050 | 45000 | 47900 | 50850 |
| 38 YEAR TERM | 19200 | 21950 | 24100 | 27400 | 29600 | 31800 | 34900 |
| ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |

* ADD 6% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$5000 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES

** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

| | PROGRAM | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON | 8 PERSON* |
|-------------------|--------------------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Payette County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 |
| | LOW INCOME | 25000 | 29350 | 32900 | 36550 | 42400 | 45350 | 48250 | 51350 |
| | Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 | 53750 |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56100 | 60300 |
| Power County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 |
| | LOW INCOME | 25000 | 29350 | 32900 | 36550 | 42400 | 45350 | 48250 | 51350 |
| | Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 | 53750 |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56100 | 60300 |
| Shoshone County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 |
| | LOW INCOME | 25000 | 29350 | 32900 | 36550 | 42400 | 45350 | 48250 | 51350 |
| | Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 | 53750 |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56100 | 60300 |
| Teton County | VERY LOW INCOME | 17950 | 20500 | 23100 | 25650 | 27700 | 29750 | 31800 | 33850 |
| | LOW INCOME | 29150 | 32250 | 36950 | 41050 | 44300 | 47600 | 50000 | 54150 |
| | Moderate Income | 34250 | 38350 | 42450 | 46550 | 49800 | 53100 | 56400 | 59650 |
| | 38 YEAR TERM | 21550 | 24600 | 27700 | 30800 | 33250 | 35700 | 38150 | 40650 |
| | ADJ. MEDIAN INC.** | 35900 | 41000 | 46200 | 51300 | 55400 | 59500 | 63600 | 67700 |
| Twin Falls County | VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 | 30150 |
| | LOW INCOME | 25000 | 29350 | 32900 | 36550 | 42400 | 45350 | 48250 | 51350 |
| | Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50550 | 53750 |
| | 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 | 36200 |
| | ADJ. MEDIAN INC.** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56100 | 60300 |
| Valley County | VERY LOW INCOME | 17450 | 19850 | 22450 | 24950 | 26950 | 28950 | 30950 | 32950 |
| | LOW INCOME | 27150 | 31550 | 35950 | 39900 | 43100 | 46300 | 49400 | 52700 |
| | Moderate Income | 33450 | 37450 | 41450 | 45450 | 48600 | 51800 | 55000 | 58200 |
| | 38 YEAR TERM | 20950 | 23950 | 26950 | 29950 | 32350 | 34750 | 37150 | 39350 |
| | ADJ. MEDIAN INC.** | 34900 | 39900 | 44900 | 49900 | 53900 | 57900 | 61300 | 65900 |

* ADD % OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$5500 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES
** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

| PROGRAM | ADJUSTED INCOME LIMITS | | | | | | |
|--------------------------|------------------------|----------|----------|----------|----------|----------|----------|
| | 1 PERSON | 2 PERSON | 3 PERSON | 4 PERSON | 5 PERSON | 6 PERSON | 7 PERSON |
| Washington County | | | | | | | |
| VERY LOW INCOME | 16000 | 18300 | 20550 | 22850 | 24700 | 26500 | 28350 |
| LOW INCOME | 25600 | 29250 | 32900 | 36550 | 39500 | 42400 | 45350 |
| Moderate Income | 31100 | 34750 | 38400 | 42050 | 45000 | 47900 | 50850 |
| 38 YEAR TERM | 19200 | 21950 | 24700 | 27400 | 29600 | 31800 | 34000 |
| ADJ. MEDIAN INC. ** | 32000 | 36600 | 41100 | 45700 | 49400 | 53000 | 56700 |
| | | | | | | | 60300 |

* ADD 8% OF 4 PERSON LIMIT FOR EACH PERSON IN EXCESS OF 8 EXCEPT FOR MODERATE INCOME FAMILIES,
FOR WHICH \$5500 SHOULD BE ADDED TO THE RESPECTIVE LOW-INCOME LIMIT FOR 8+ PERSON FAMILIES
** RHS ADJ. MEDIAN INCOMES SHOWN EQUAL TWICE THE RESPECTIVE VERY LOW-INCOME LIMIT

RURAL DEVELOPMENT PROJECTS

| | CALDWELL AREA | | |
|----|--|------------------|---|
| | OWNER | | PROJECT NAME |
| 1. | Amber Cove P. O. Box 261 Boise, ID 83701 208-336-4610, Diane Hunt | 24 EL 23 RA | Amber Cove Apts. 1300 W. 6th St. Weiser, ID 83762 |
| 2. | Autumn Court Ltd. Part. % Infinity Mgmt. Co. PO Box 306 Lewiston, ID 83501 208-746-2422, Russ Gibler | 30 EL 29 RA | Autumn Court Apartments 501 E. 12 th Street Emmett, ID 83617 |
| 3. | Estate of Atwood, Beverly % Western Develop. Enter. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 14 EL 14 RA | Leisure Village XII 2418 E. Locust Caldwell, ID 83605 |
| 4. | Atwood, Leroy % Western Develop. Enter. 914 Elgin St Caldwell, ID 83605 208-459-6348, Connie Aman | 8 FA 8 RA | Freedom Village 1865 Center Ave. Payette, ID 83661 |
| 5. | Atwood, Leroy % Western Develop. Enter. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 22 EL 22 RA | Leisure Village II 429 S. 11th Payette, ID 83661 |
| 6. | Atwood-Leisman % Western Develop. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 50 EL 50 RA | Leisure Village V 911 Belmont St. Caldwell, ID 83605 |
| 7. | Caldwell Housing Auth. P. O. Box 70 Caldwell, ID 83606 208-459-2232, Dave Linden | 248 LH 161 RA | Farmway Village 22730 Farmway Caldwell, ID 83605 |
| 8. | Claremont Hous. Ltd.P. % Syringa Property Mgt. P. O. Box 2080 Boise, ID 83701 208-336-4610, Diane Hunt | 16 FA 16 RA | Claremont Apts. 410 Old State Highway Cascade, ID 83611 |
| 9. | DBSI/TRI VIII % DBSI Realty Corp. 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 40 FA 39 RA | Chaparral Apts. 704 W. 4th Emmett, ID 83617 |

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| 10. | Devco Properties Ltd. P. O. Box 1228 Boise, ID 83701 208-321-9001, Vonda Workman | 24 FA 24 RA | Washington Square I Apts. 510 E. Washington Meridian, ID 83642 |
| 11. | Devco Properties Ltd. P. O. Box 1228 Boise, ID 83701 208-321-9001, Vonda Workman | 18 FA 18 RA | Washington Square II Apts. 510 E. Washington Meridian, ID 83642 |
| 12. | Devco Properties Ltd. P. O. Box 1228 Boise, ID 83701 208-321-9001, Vonda Workman | 24 FA 24 RA | Wildwood Apts. 856 W. 7th Weiser, ID 83672 |
| 13. | Elderly Opportunity Agency 829 S. Washington Emmett, ID 83617 208-365-4461, Cheryl LaForge | 24 EL 24 RA | Council Phase I 201 N. Hornet Creek Rd. Council, ID 83612 |
| 14. | Elderly Opportunity Agency 829 S. Washington Emmett, ID 83617 208-365-4461, Cheryl LaForge | 32 EL 32 RA | Parma Elderly 1101 Stockton Rd. Parma, ID 83660 |
| 15. | Elderly Opportunity Agc. 829 S. Washington Emmett, ID 83617 208-365-4461, Cheryl LaForge | 24 EL 24 RA | New Plymouth I 150 W. Ash New Plymouth, ID 83655 |
| 16. | Elderly Opportunity Agency 829 S. Washington. Emmett, ID 83617 208-365-4461, Cheryl LaForge | 18 FA 17 RA | Osprey Court 700 Samson Trail McCall, Idaho 83638 |
| 17. | Emmett Sunset Manor % Larry Williams 914 Houston Rd. Boise, ID 83706 208-383-0000, Marianne Williams | 20 EL 20 RA | Emmett Sunset Manor 1000 Fernlee Court Emmett, ID 83617 |
| 18. | Glenns Landing Ltd Part Syringa Property Mgmt 1277 Shoreline Lane Boise, ID 83702 208-336-4610 | 16 FA 16 RA | Glenns Landing Apts. 514 E. 5th A Glenns Ferry, ID 83623 |
| 19. | Hill, Riley J. P. O. Box 428 Ontario, OR 97914 541-889-9113 | 36 FA 35 RA | Mesa Verde Apts. 1300 N Pennsylvania Ave. Fruitland, ID 83619 |
| 20. | Homedale Associates c/o Infinity Mgmt Inc. PO Box 306 Lewiston, ID 83501 208-746-2422, Russ Gibler | 24 EL 23 RA | Homedale Garden Apts. 409 1st St. W. Homedale, Idaho 83628 |

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| 21. | Hope-Ponderosa Oregon Ltd. Ptsp. c/o Guardian Mgmt 4380 SW Macadam, Ste 380 Portland, OR 97201 503-802-3621, Lynn Blankenship | 80 FA 56 RA | Hope Arms Apts. 96 Hope Arms Lane Meridian, ID 83642 |
| 22. | Idaho Friends Retirement Home P. O. Box 307 Greenleaf, ID 83626 208-459-8005, Kathy Koch | 19 EL 19 RA | Idaho Friends 20803 Academy Road Greenleaf, ID 83626 |
| 23. | Idaho Migrant Council 317 Happy Day Blvd, Ste. 325 Caldwell, ID 83607 208-454-1652 | 33 LH 33 RA | Comunidad Juan Mayoral Hammett, Idaho |
| 24. | Investment Spec. Co. c/o Devco, Inc. P. O. Box 1228 Boise, ID 83701 208-321-9001, Vonda Workman | 40 FA 40 RA | Nottingham Apts. 2804 S. Georgia Ave. Caldwell, ID 83605 |
| 25. | Leisure Village VIII Assoc. L/P % Western Development Enterprises, Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 12 FA 12 RA | Leisure Village VIII 555 Main St. Middleton, ID 83644 |
| 26. | Leisure Village IX L/P % Western Dev. Ent., Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 20 EL 20 RA | Leisure Village IX 2320 E. Locust Caldwell, ID 83605 |
| 27. | Leisure Village X Ltd.P. % Western Dev. Ent., Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 14 EL 14 RA | Leisure Village X 115 1st St. N. Middleton, ID 83644 |
| 28. | Leisure Village XI L/P % Western Dev. Ent., Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 16 FA 16 RA | Leisure Village XI 86 S. Main Star, ID 83669 |
| 29. | Logan Park Associates % Riley Hill P. O. Box 428 Ontario, OR 97913 541-889-9113 | 50 EL 49 RA | Logan Park Apts. 612 W. Logan Caldwell, ID 83605 541-889-9113 |
| 30. | Louise Gardens c/o Nationwide Prop Mgmt PO Box 444346 Boise, ID 83711 208-200-2000, P. A. Morris | 32 EL 32 RA | Louise Gardens Apt. 1140 6th Ave. S. Payette, ID 83661 |

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| 31. | LVLP-Atwood % Western Dev.Ent.,Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 16 EL 16 RA | Leisure Village III 19th & Blaine Streets Caldwell, ID 83605 ✓ |
| 32. | LVLP-Atwood % Western Dev.Ent.,Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 22 EL 22 RA | Leisure Village I 419 S. Colorado Fruitland, ID 83619 ✓ |
| 33. | LVLP-ATWOOD % Western Dev. Ent.,Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 18 EL 18 RA | Leisure Village IV 155 S. 7th Payette, ID 83661 ✓ |
| 34. | Marsing Housing Auth. P. O. Box 249 Marsing, ID 83639 208-896-4158, Robert Troxel | 40 LH 22 RA | Marsing Housing Auth. 6 Ogden Marsing, ID 83639 ✓ |
| 35. | Mercy Southeast Idaho, Inc. c/o Mercy Services Corp. 1512 12 th Ave. Rd. Nampa, ID 83686 208-463-5855, Joe Sanchez | 34 FA 34 RA | Hamilton Court Apart. 1100 N. 3rd E. N. 3rd W. 400 Blk E. 10th N. St. Mountain Home, ID 83647 ✓ |
| 36. | Meridian Sunset Manor % Western Dev.Ent.,Inc. 914 Elgin St. Caldwell, ID 83605 208-459-6348, Leroy Atwood | 18 EL 18 RA | Leisure Village VII 1721 N.W. 8th St. Meridian, ID 83642 ✓ |
| 37. | Owyhee Housing Dev.Corp. % SICHA 1108 W. Finch Dr. Nampa, ID 83651 208-467-7461, Dave Patten | 16 EL 16 RA | Homedale Phase I 201 W. Owyhee Homedale, ID 83628 ✓ |
| 38. | Owyhee Housing Dev.Corp. % SICHA 1108 W. Finch Dr. Nampa, ID 83651 208-467-7461, Dave Patten | 7 EL 7 RA | Homedale Phase II 36 W. Owyhee Homedale, ID 83628 ✓ |
| 39. | Owyhee Housing Dev.Corp. % SICHA 1108 W. Finch Dr. Nampa, ID 83651 208-467-7461, Dave Patten | 12 EL 12 RA | Marsing Phase III 112 2nd St. W. Marsing, ID 83639 ✓ |
| 40. | Parma Park Assoc. Landmark Mgmt Group PO Box 2725 Sioux City, IA 51106 712-276-1735, Julie Nylen | 6 EL 6 RA | Parma Park Apts. 7th & Bates Streets Parma, ID 83660 |

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| 41. | RC Limited Ptsp. c/o Syringa Property Mgt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 12 FA 12 RA | Emerald Village III 1120 Main St. Marsing, ID 83639 ✓ |
| 42. | RC Limited Ptsp. c/o Syringa Property Mgt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 8 FA 8 RA | Emerald Village IV 11150 Riverside Ave. Grand View, ID 83624 ✓ |
| 43. | RC Limited Ptsp. c/o Syringa Property Mgt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 24 FA 24 RA | Emerald Village I 18 Circle Drive Fruitland, ID 83619 ✓ |
| 44. | RC Limited Ptsp. c/o Syringa Property Mgt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 16 FA 16 RA | Emerald Village II 18 Circle Drive Fruitland, ID 83619 ✓ |
| 45. | Rockwood Properties 1 OREG Ltd. % Guardian Mgmt. 4380 SW Macadam, Ste. 380 Portland, OR 97201 503-802-3621, Lynn Blankenship | 24 FA 23 RA | Carol Manor Apts. 263 E 3rd. St. Kuna, ID 83634 ✓ |
| 46. | Rockwood Properties Idaho OREG Ltd B&B High Country Properties P O Box 191064 Boise, ID 83719 208-846-8241, Jay Brown | 20 FA 19 RA | Casa Blanca 3500 S. Five Mile ✓ Boise, ID 83709 |
| 47. | Rockwood Properties Idaho OREG Ltd B&B High Country Properties P. O. Box 191064 Boise, ID 83719 208-846-8241, Jay Brown | 20 FA 20 RA | La Villa 1233 E. 4th St. Meridian, ID 83642 ✓ |
| 48. | Rockwood Properties Idaho OREG Ltd B&B High Country Properties P. O. Box 191064 Boise, ID 83719 208-846-8241, Jay Brown | 24 FA 23 RA | La Casa 1222 E. 4th St. Meridian, ID 83642 ✓ |
| 49. | Rockwood Properties 1 OREG Ltd % Guardian Mgmt. Co. 4380 SW Macadam, Ste 380 Portland, OR 97201 503-802-3621, Lynn Blankenship | 18 FA 18 RA | Fairway 1835 E. 8th N. Mountain Home, ID 83647 |

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| 50. | Rockwood Properties I OREG Ltd % Guardian Mgmt. Co. 4380 SW Macadam, Ste 380 Portland, OR 97201 503-802-3621, Lynn Blankenship | 30 FA 29 RA | Escoshio 495 N. Haskett Mountain Home, ID 83647 ✓ |
| 51. | Rockwood Properties I OREG Ltd. % Guardian Mgmt. Co. 4380 SW Macadam, Ste 380 Portland, OR 97201 503-802-3621, Lynn Blankenship | 20 FA 19 RA | Brent Arns 1615 Center St. Payette, ID 83661 ✓ |
| 52. | Rockwood Properties I OREG Ltd % Guardian Mgmt. Co. 4380 SW Macadam, Ste 380 Portland, OR 97201 503-802-3621, Lynn Blankenship | 14 FA 14 RA | Cole Manor 1450 2nd Ave. N. Payette, ID 83661 ✓ |
| 53. | Sandlewood Associates % DBSI Realty Corp 1550 S. Tech Lane Meridian, ID 83642 208-376-8270 | 40 FA 38 RA | Sandlewood Apts. 2602 S. Georgia Ave. Caldwell, ID 83605 ✓ |
| 54. | Southwestern Idaho Coop. Housing Agency 1108 W. Finch Nampa, ID 83651 208-467-7461, Dave Patten | 4 FA 4 RA | Cambridge Apts. 80 N. McKinley St. Cambridge, ID 83610 ✓ |
| 55. | Southwestern Idaho Coop. Housing Agency 1108 W. Finch Nampa, ID 83651 208-467-7461, Dave Patten | 12 FA 12 RA | Coleman Apts. 200 School Ave. Council, ID 83612 ✓ |
| 56. | Southwest Idaho Coop Housing Agency 1108 W. Finch Dr. Nampa, ID 83651 208-467-7461, Dave Patten | 8 EL 8 RA | Melba Project Melba, ID ✓ |
| 57. | Southwest Idaho Coop. Housing Agency 1108 W. Finch Nampa, ID 83651 208-467-7461, Dave Patten | 6 EL 6 RA | Grandview Project Kuna & Main Streets Grandview, ID 83624 ✓ |
| 58. | Southwest Idaho Coop. Housing Agency 1108 W. Finch Nampa, ID 83651 208-467-7461, Dave Patten | 12 EL 12 RA | Cascade Project Spring & Front Streets Cascade, ID 83611 ✓ |

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| 59. | Southwest Idaho Coop. Housing Agency 1108 W. Finch Nampa, ID 83651 208-467-7461, Dave Patten | 28 EL 28 RA | McCall Project 430 Floyde Street McCall, ID 83638 ✓ |
| 60. | Southwest Idaho Coop. Housing Agency 1108 W. Finch Nampa, ID 83651 208-467-7461, Dave Patten | 6 EL 6 RA | Cambridge Project 2nd & McKinley Streets Cambridge, ID 83610 ✓ |
| 61. | Stubblefield Dev. Co. P. O. Box 327 Meridian, ID 83680 208-888-7994, Julia Croft | 28 FA 23 RA | Northgate Villa I 1400 Maple Ave. Meridian, ID 83642 ✓ |
| 62. | Stubblefield Dev. Co. P. O. Box 327 Meridian, ID 83680 208-888-7994, Julia Croft | 4 FA 4 RA | Northgate Villa II 1400 Maple Ave. Meridian, ID 83642 ✓ |
| 63. | Tomlinson I % Tomlinson & Associates P. O. Box 108 Boise, ID 83701 208-343-6438 | 16 EL 16 RA | Sunset Manor VII 845 N 3rd Mountain Home, ID 83647 ✓ |
| 64. | Wells, Dianne K. Western Devel. Enter 914 Elgin St. Caldwell, ID 83605 208-459-6348, Connie Aman | 8 FA 8 RA | Eagle Crest Apts. 64 S 2nd Eagle, ID 83616 ✓ |
| 65. | Wilder Housing Auth. P. O. Box 685 Wilder, ID 83676 208-482-7750 | 120 LH 40 RA | Chula Vista Acres Hwy 95 & Mercer Drive Wilder, ID 83676 ✓ |
| 66. | Wilder Housing Auth. P. O. Box 685 Wilder, ID 83676 208-482-7750 | 12 EL 12 RA | Westfield Plaza Hwy 95 & Mercer Drive Wilder, ID 83676 ✓ |
| 67. | Wilson, Sandra. 190 E. Main Weiser, ID 83672 208-549-0544, Sandra Wilson | 8 FA 8 RA | Butterfield Apts. I 1305 W 7th St. Weiser, ID 83672 ✓ |
| 68. | Wilson, Sandra. 190 E. Main Weiser, ID 83672 208-549-0544, Sandra Wilson | 15 EL 15 RA | Butterfield Apts.II 1295 W 7th St. Weiser, ID 83672 ✓ |

RURAL DEVELOPMENT PROJECTS

| | TWIN FALLS AREA | | PROJECT NAME |
|--|------------------------|--|---|
| OWNER | | | |
| 1. BOISE HOUSING CORP c/o Tomlinson & Assoc. PO Box 108 Boise, Idaho 83701 208-343-6438 | 20 FA 19 RA | | The Cedars 2650 Main Street ✓ Gooding, ID 83330 |
| 2. BRENT CORPORATION c/o Larry Bodily 435 E. Ave D Wendell, Idaho 83355 208-536-6568 | 17/F 17 RA | | Bliss Manor ✓ 250 S. 1st Ave. ✓ Bliss, ID 83314 |
| 3. BRENT CORPORATION % Larry Bodily 435 E. Ave D Wendell, Idaho 83355 208-536-6568 | 22 FA 22 RA | | Jerome Brent Manor 1200 S. Davis Jerome, ID 83338 ✓ |
| 4. DBSI/TRI V % DBSI Realty Corp 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 40 FA 30 RA | | Washington Park I 1354 Washington So. ✓ Twin Falls, ID 83301 ✓ |
| 5. DBSI/TRI V c/o DBSI Realty Corp 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 40 FA 25 RA | | Washington Park II 1354 Washington So. ✓ Twin Falls, ID 83301 ✓ |
| 5. DBSI/TRI VIII c/o DBSI Realty Corp 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 60 EL 50 RA | | Poplar Grove 2233 Almo Burley, ID 83318 ✓ |
| 7. DBSI/TRI VIII c/o DBSI Realty Corp 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 40 FA 35 RA | | Goose Creek 733 East 22nd Burley, Idaho 83318 ✓ |
| 8. DEVCO PROPERTIES, LTD. Partnership P.O. Box 1228 950 N. Cole Boise, ID 83701 208-321-9001, Vonda Workman | 24 FA 24 RA | | Valley Park Apts 309 Pasherma Kay Ct. ✓ Rupert, ID 83350 |

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| 9. | DEVCO PROPERTIES, LTD Partnership P.O. Box 1228 950 N. Cole Boise, ID 83701 208-321-9001, Vonda Workman | 24 FA 24 RA | Southwood Apts. 210 South A Rupert, Idaho 83350 ✓ |
| 10. | GOODING SR.HOUSG ASSN. % Walt Harris Box 173 Gooding, Idaho 83330 208-934-4245 | 25 EL 25 RA | Sunrise Courts #1 401 Idaho Street Gooding, ID 83330 Garden Court #2 Parkview Court #3 ✓ Alturus Court #4 ✓ |
| 11. | GRAHAM, John D. % Property Mngmt West 8725 W 14th Ave., Suite 200 Lakewood, CO 80215 303-274-6500 | 24 FA 13 RA | Valley View II 800 2nd Ave. No. Hailey, ID 83333 ✓ |
| 12. | GRAHAM, MARILYN B. % Property Mngmt West 8725 W 14th Ave., Suite 200 Lakewood, CO 80215 303-274-6500 | 32 FA 20 RA | Casa Grande I 921 S. Davis Filer, ID 83328 ✓ |
| 13. | GRAHAM, MARILYN B. % Property Mngmt West 8725 W. 14th Ave., Suite 200 Lakewood, CO 80215 303-274-6500 | 32 FA 24 RA | Casa Grande II 921 So. Davis ✓ Filer, ID 83328 ✓ |
| 14. | GRAHAM, MARILYN B. % Property Mngmt West 8725 W. 14th Ave., Suite 200 Lakewood, CO 80215 303-274-6500 | 24 FA 22 RA | Rancho Verde 255 East Ave Wendell, ID 83355 ✓ |
| 15. | HAGERMAN CNTRY. HOMES Syriga Property Mgmt. 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 12 FA 12 RA | Hagerman Country Homes 120 3rd Ave. So. Hagerman, ID 83332 ✓ |
| 16. | HAILEY ENTERPRISES c/o Infinity Mgmt Inc P. O. Box 306 Lewiston, Idaho 83501 208-746-2422, Russ Gibler | 22 FA 18 RA | Baldy View Apartments II 731 Red Ash Dr. Hailey, ID 83333 ✓ |
| 17. | HAILEY INVESTMENT GROUP % Infinity Mgmt Inc. P.O. Box 306 Lewiston, Idaho 83501 208-746-2422, Russ Gibler | 27 FA 17 RA | Baldy View Apartments I 1771 Woodside blvd. Hailey, ID 83333 ✓ |

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| 18. | HAZELTON HOUSING AUTH % Lois Jenkins P.O. Box 398 Hazelton, Idaho 83335 208-829-5829 | 44 LH 30 RA | Lake View Apartments 856 S. 1900 E. Hazelton, ID 83335 ✓ |
| 19. | HAZELTON HOUSING AUTH % Lu Ann Gergen 380 5th St., Suite 27 Hazelton, ID 83335 208-829-4206 | 20 EL 20 HUD | Syringa Estates 380 5th Hazelton, ID 83335 ✓ |
| 20. | IDAHO MIGRANT COUNCIL 317 Happy Day Blvd., Ste 325 Caldwell, Idaho 83605 208-454-1652 | 24 LH 24 RA | Colonia DeColores 406 Gardner Twin Falls, ID 83301 ✓ |
| 21. | IDAHO MIGRANT COUNCIL 317 Happy Day Blvd., Ste. 325 Caldwell, Idaho 83605 208-454-1652 | 24 LH 24 RA | Project Hope 730 14th St. PO Box 649 Heyburn, ID 83336 ✓ |
| 22. | JEROME HOUSING PARTNERS % Syringa Property Mgmt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 22 FA 18 RA | Casa Del Prado I 140 8th Ave. E. Jerome, ID 83338 ✓ |
| 23. | JEROME HOUSING PARTNERS % Syringa Property Mgmt 1277 Shoreline Lane Boise, ID 83702 208-336-4610 | 22 FA 18 RA | Casa Del Prado II 140 8th Ave. E. Jerome, ID 83338 ✓ |
| 24. | JOHNSON, IRA % Kim Vaughan 317 22nd Ave. W. Gooding, Idaho 83330 208-934-9189 | 4 FA 4 RA | Southwest Apartments 317 22 nd Ave. W. Gooding, ID 83330 J |
| 25. | LINCOLN COUNTY HOUSING Authority c/o Neal Bowman 402 So. 750 E. Dietrich, Idaho 83324 208-544-2403 | 20 EL 20 HUD | Riverside Estates-Shoshone Sawtooth Lodges-Richfield (One Project) 504 East 5th Shoshone, ID 83352 ✓ |
| 26. | MAYES, DONALD % Intermountain Develop. PO Box 1717 Twin Falls, Idaho 83303 208-734-6295 | 24 FA 23 RA | Colonial Townhouses 1724 D Street Rupert, ID 83350 ✓ |
| 27. | MORGAN, ALBERT C. Box 382 Wendell, Idaho 83355 208-536-2483 | 8 FA 7 RA | Cherry Villa 520 East Ave. C Wendell, ID 83355 J |

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| 28. | MOUNTAIN VIEW EAST % Devco Properties P.O. Box 1228 Boise, Idaho 83701 208-321-9001 | 24 FA 24 RA | Mountain View East 461 14th Street Heyburn, ID 83336 ✓ |
| 29. | ONEIDA, CHARLES M. c/o MorKor PO Box 279 Shoshone, Idaho 83352 208-886-2794 | 4 FA 4 RA | Oneida Apartments 515 N. Fir Shoshone, ID 83352 ✓ |
| 30. | P & A ASSOCIATES c/o DBSI Realty Corp. 1550 S. Tech Lane Meridian, Idaho 83642 208-955-9800 | 40 FA 29 RA | Sawtooth Village 1220 East 16th ✓ Burley, ID |
| 31. | PARNELL, KEVIN T. 301 8th Ave. North Buhl, Idaho 83316 208-543-8436 | 8 FA 8 RA | Sawtooth Villa 500 Parnell Drive ✓ Buhl, ID 83316 |
| 32. | PARNELL, KEVIN T. 301 8th Ave. No. Buhl, Idaho 83316 208-543-8436 | 24 EL 24 RA | Sawtooth Manor 315 8th Ave. No. ✓ Buhl, ID 83316 |
| 33. | R F & C PARTNERSHIP 2512 Laurie Lane Twin Falls, Idaho 83301 208-735-8048 | 12 EL 12 RA | Sunset Manor I 617 E. Main ✓ Buhl, ID 83316 |
| 34. | STROUD, HAROLD Box 373 Fairfield, Idaho 83327 208-764-2410 | 6 FA 6 RA | J & H Apartments 200 W. Manard St. ✓ Fairfield, ID 83327 |
| 35. | SUMMIT APARTMENT ASSOC % Syringa Property Mngt. 1277 Shoreline Lane Boise, Idaho 83702 208-336-4610, Diane Hunt | 20 EL 20 RA | Summit Apartments I 155 W. Galena St. ✓ Hailey, ID 83333 |
| 36. | SUMMIT II APART. ASSO. % Syringa Property Mngt. 1277 Shoreline Lane Boise, Idaho 83702 208-336-4610, Diane Hunt | 20 EL 20 RA | Summit Apartments II 155 W. Galena St. ✓ Hailey, ID 83333 |
| 37. | SUNNYSIDE ENTERPRISES % Infinity Mgmt Inc. P. O. Box 306 Lewiston, Idaho 83501 208-746-2422, Russ Gibler | 27 FA 19 RA | Sunnyside I 620 Willow Dr. Hailey, Id 83333 ✓ |

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| 38. | SUNNYSIDE ENTERPRISES II % Infinity Mgmt Inc P. O. Box 306 Lewiston, Idaho 83501 208-746-2422, Russ Gibler | 22 FA 6 RA | Sunnyside II 1661 Woodside Blvd. Hailey, ID 83333 ✓ |
| 39. | VALLEY VIEW ASSOCIATES % Property Mngmt West 8725 W 14th Ave., Suite 200 Lakewood, CO 80215 303-274-6500 | 36 FA 21 RA | Valley View I 800 2nd Ave. No. ✓ Hailey, ID 83333 |
| 40. | WENDELL HOUSING ASSOC. c/o Box 139 Wendell, Idaho 83355 208-536-2730 | 12 EL 12 RA | Autumn Lane 115 1st Ave. East Wendell, ID 83355 ✓ |
| 41. | WENDELL HOUSING ASSOC. c/o P.O. Box 139 Wendell, Idaho 83355 208-536-2730 | 16 EL 16 RA | Brown Gables 105 West Ave. Wendell, ID 83355 ✓ |

RURAL DEVELOPMENT PROJECTS

| | <u>OWNER</u> | <u>BLACKFOOT AREA</u> | <u>PROJECT NAME</u> |
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| 1. | ALSACE VILLAGE LIMITED PARTNERSHIP % Syringa Property Mgt. 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 24 FA 23 RA | Alsace Village Apts. 341 S. 1st St. Soda Springs, ID 83276 ✓ |
| 2. | BINGHAM HOUSING, INC. P. O. Box 781 Blackfoot, ID 83221 208-785-3498, Afton Bishoff | 114 EL 68 RA | Bingham Housing 340 Lansing Street Blackfoot, Aberdeen, & Firth, ID ✓ |
| 3. | BITTERROOT PARK ASSOC. %Syringa Property Mgmt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 24 EL 23 RA | Bitterroot Park Catherine Lane ✓ Salmon, Idaho |
| 4. | BLODGETT, GEORGE B. P.O. Box 1666 Salmon, ID 83467 208-756-3510 | 24 FA 14 RA | Imperial Apartments I Imperial Apartments II 501 Imperial Way ✓ Salmon, Idaho 83467 |
| 5. | BOISE HOUSING CORP. c/o Tomlinson & Assoc. PO Box 108 Boise, ID 83701 208-343-6438 | 64 FA 53 RA | Madison Park Apts. 166 N 5th W Rexburg, ID 83440 ✓ |
| 6. | BOISE HOUSING CORP % Tomlinson & Assoc. PO Box 108 Boise, ID 83701 208-343-6438 | 32 FA 31 RA | Wagon Wheel 460 W. 7th So. ✓ Rexburg, ID 83440 |
| 7. | BRENCHLEY HOUSING LIMITED PARTNERSHIP % Syringa Property Mgt. 1277 Shoreline Lane Boise, ID 83702 208-336-4610 , Diane Hunt | 32 EL 31 RA | Brenchley Apartments 430 South 3rd West Rexburg, ID 83440 ✓ |
| 8. | CANDLEWOOD HSING LTD. PARTNERSHIP % Syringa Property Mgt. 1277 Shoreline Lane Boise, ID 83702 208-336-4610 | 28 FA 10 RA | Candlewood Housing 567 N 8th, Bear Lake Montpelier, ID 83254 ✓ |
| 9. | CIMARRON STATION % Syringa Property Mgt. 1277 Shoreline Lane Boise, ID 83702 208-336-4610 , Diane Hunt | 24 FA 24 RA | Cimarron Station Apts. 632 Butte Ave. Arco, Idaho 83213 |

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| 10. | DBSI/TRI VIII % DBSI 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 80 FA 79 RA | The Cedars 350 W. Maple Shelley, ID 83274 ✓ |
| 11. | EASTERN IDAHO SPECIAL SERVICES AGENCY P.O. 51098 Idaho Falls, ID 83405 206-522-5391 | 64 FA 63 RA | Camas St. Apt. 30 Camas St. Blackfoot, ID 83221 ✓ |
| 12. | EASTERN IDAHO SPECIAL SERVICES, INC. % Sunshine Croucher P. O. Box 51098 Idaho Falls, ID 83405 208-522-5391 | 14 EL Sec 8 | S. Fremont Sr. Housing 935 W. Main St. St. Anthony, Idaho 83445 ✓ |
| 13. | EASTERN IDAHO SPECIAL SERVICES, INC. % Sunshine Croucher P.O. Box 51098 Idaho Falls, ID 83405 208-522-5391 | 16 EL 16 RA | Lost Rivers I 555 Water Street ✓ Arco, Idaho 83213 |
| 14. | EASTERN IDAHO SPECIAL SERVICES, INC. %Sunshine Croucher P.O. Box 51098 Idaho Falls, ID 83405 208-522-5391 | 12 EL 12 RA | Lost Rivers II ✓ 542 S. Idaho St. Arco, Idaho 83213 |
| 15. | IDAHO MIGRANT COUNCIL 317 Happy Day Blvd., Ste. 325 Caldwell, ID 83607 208-454-1652 | 24 LH 24 RA | El Rancho Grande Estates 133 Hillcrest ✓ American Falls, ID 83211 |
| 16. | IDAHO MIGRANT COUNCIL 317 Happy Day Blvd., Ste. 325 Caldwell, ID 83607 208-454-1652 | 24 LH 24 RA | Colonia Caesar Chavez ✓ 761 W. Center Blackfoot, ID 83221 |
| 17. | IDAHO MIGRANT COUNCIL 317 Happy Day Blvd., Ste. 325 Caldwell, ID 83607 208-454-1652 | 24 LH 24 RA | Colonia Humberto Fuentes 100 No. Polsten ✓ Dubois, ID 83423 |
| 18. | INTERMOUNTAIN DEVEL. P. O. Box 1717 Twin Falls, Idaho 83301 208- 734-6295 | 24 FA 11 RA 12 S8 | Cedarwood 273 2nd Ave. E. / Preston, ID 83263 |
| 19. | MENDENHALL & ANDERSON Grace Elderly P. O. Box 289 Grace, ID 83241 208-425-3200 | 6 EL 6 RA | Elm Court 162 N 151 W ✓ Grace, ID 83241 |

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| 20. | MUD LAKE ASSOCIATES c/o Intermountain Dev. P. O. Box 1717 Twin Falls, ID 83301 208-734-6295 | 8 FA 8 RA | Village Apts. Mud Lake Terreton, ID 83350 ✓ |
| 21. | MURDOCH LTD PART. % David Murdock 1445 Vega Circle #7 Idaho Falls, ID 83402 208-624-4709 | 8 FA 8 RA | Parkview Apts. 249 N 8th W St. Anthony, ID 83445 ✓ |
| 22. | NEW CREEKSIDE ASSO. %Landmark Mgmt Group PO Box 2725 Sioux City, IA 51106 712-276-1735 | 40 FA 38 RA | Creekside Apts 3655 Maiben Ave. Ammon, ID 83401 ✓ |
| 23. | PETERSON, Dale & Mevanwie P.O. Box 67 Leadore, ID 83464 208- | 4 FA 4 RA | Homestead Apartments ✓ State Hwy 28 Leadore, ID 83464 |
| 24. | PIONEER SHADOW L. P c/o DBSI Realty Corp 1550 S. Tech Lane Meridian, ID 83642 208-955-9800 | 64 FA 61 RA | Grand Cascade 145 Hillcrest Ave. American Falls, ID 83211 ✓ |
| 25. | REDSTONE LIMITED PART. %Syringa Property Mgmt 1277 Shoreline Lane Boise, ID 83702 208-336-4610 | 24 FA 23 RA | Redstone Apartments HC 63, Box 1709 ✓ Challis, ID 83226 |
| 26. | REXBURG ASSOCIATES % Conifer Mgmt PO Box 11246 Tacoma, WA 98411 253-475-6610 | 40 FA 40 S8 | Rexburg Plaza Apts. 430 W 5th S ✓ Rexburg, ID 83440 |
| 27. | SECURITY RENTAL PROPERTIES % Frank & Debbie Smith P. O. Box 2244 Idaho Falls, ID 83704 208-528-6444 | 40 FA 12 RA Sec. 8 | Willowtree Apts. 1st St. & Ammon Lincoln Rd. ✓ Ammon, ID 83401 |
| 28. | SOUTH BRENCHLEY HOUSING LTD PTSHP 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 30 EL 30 RA | South Brenchley Apts 430 S. 3rd W. ✓ Rexburg, ID 83440 |
| 29. | SOUTH, Gordon A. c/o Shirlee South P. O. Box 166 Malad, ID 83252 208-766-0917 | 17 EL 17 RA | Southside Apts. 94 E 50 S Malad, ID 83252 |

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| 30. | SOUTH DOWNEY ASSO. % Shirlee South P. O. Box 166 Malad, ID 83252 208-766-0917 | 8 EL 8 RA | South Downey Elderly Main St. Downey, ID 83234 ✓ |
| 31. | SOUTH WINDS ASSO. % Shirlee South P. O. Box 166 Malad, ID 83252 208-766-0917 | 9 EL 9 RA | Carefree Court 110 E 110 S Malad, ID 83252 ✓ |
| 32. | SUNNYRIDGE ASSOC.II Ltd Landmark Mgmt PO Box 2725 Sioux City, IA 51106 712-276-1735, Julie Nylen | 26 FA 25 RA | Sunny Ridge Apts. 1615 Camas St. Blackfoot, ID 83221 ✓ |
| 33. | TETON VIEW LTD PART. % Syringa Property Mgt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 40 EL 39 RA | Teton View 490 Annis Highway Rigby, ID 83442 ✓ |
| 34. | WATKINS DEVELOPMENT CO. %Mona Watkins 6223 S. Moran Drive Spokane, WA 99223 509-448-2746 | 16 EL 16 RA | Heritage Court 525 Cedar St. Mackay, ID 83251 ✓ |
| 35. | WATKINS DEVELOPMENT CO. %Mona Watkins 6223 S. Moran Drive Spokane, WA 99223 509-448-2746 | 16 EL 16 RA | Pioneer Court 357 3rd Street So. Challis, ID 83226 ✓ |
| 36. | WATKINS DEVELOPMENT CO. % Mona Watkins 6223 S Moran Dr. Spokane, WA 99223 509-448-2746 | 16 EL 16 RA | Teton Court 260 East Wallace Ave. Driggs, ID 83422 ✓ |
| 37. | WEST PINE LTD PTNSHP Landmark Mgmt PO Box 2725 Sioux City, IA 51106 712-276-1735, Julie Nylen | 18 EL 17 RA | West Pine Apts 343 West Pine Shelley, ID 83274 ✓ |
| 38. | West Tisbury Limited Part. c/o Syringa Property Mgmt 1277 Shoreline Lane Boise, ID 83702 208-336-4610, Diane Hunt | 34 FA 34 RA | West Tisbury Apartments Rexburg, ID ✓ |

RURAL DEVELOPMENT PROJECTS

COEUR D'ALENE AREA

| | <u>OWNER</u> | | <u>PROJECT NAME</u> |
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| 1. | ADVANCED EQUITY VII % Cimcorp, Inc. 1103 Best Ave., Suite A Coeur d' Alene, ID 83814 208-666-1502, Claudia Moser | 18/EL 10 RA | Sunrise Village 909 Travois Way Moscow, Idaho 83843 ✓ |
| 2. | B & G PARTNERSHIP Box 25 Nez Perce, Idaho 83543 208-937-2686, Andrea Baldus | 8/FA 7 RA | Lincoln Project 501 Lincoln Nez Perce, ID 83543 ✓ |
| 3. | BONNERS FERRY ASSO. % Cimcorp. P. O. Box 1180 Hayden Lake, ID 83035 208-666-1502, Claudia Moser | 32/FA 31 RA | Jenni Lane Apts. 400 Wilson St., Rt. 4 Box 4274 Bonners Ferry, ID 83805 ✓ |
| 4. | BUGH, RAYMOND L. % Infinity Mgmt, Inc. P. O. Box 306 Lewiston, Idaho 83501 208-746-2422, Russ Gibler | 14/FA | Moscow Apts. 315-325 S. Grant Moscow, ID 83843 ✓ |
| 5. | BURKHART, CHARLES Route 2, Box 200, Apt. #25 Kamiah, Idaho 83536 208-935-0488, Barbara Pardue | 54/EL 53 HUD | Burkhart Homes Rt. 2, Box 200, Apt. 25 Kamiah, Idaho 83536 ✓ |
| 6. | CAMBRIDGE SQUARE c/o Bill Brown Rentals 108 S. Second Ave. Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 24/FA 11 RA | Cambridge Square 1205 Cedar Sandpoint, Idaho 83864 ✓ |
| 7. | CAMBRIDGE SQUARE II c/o Bill Brown Rentals 108 S. Second Ave. Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 8/FA 2 RA | Cambridge Square II 306 Washington Sandpoint, ID 83864 ✓ |
| 8. | CANYONSIDE I Ltd. Part. % Syringa Property Mgmt. P. O. Box 2080 Boise, Idaho 83701 208-343-8645, Diane Hunt | 24/FA 23 RA | Canyonside Townhouses 1739 Burke Road ✓ Wallace, ID 83673 |
| 9. | Clack, Steve & Penny c/o Steve Clack PO Box 1696 Orofino, ID 83544 208-476-5587 | 24/EL 24 RA | Riverside Apts. 330 129th St. Orofino, ID 83544 ✓ |

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| 10. | COMMUNITY ACTION AGENCY, INC. 124 New 6th St. Lewiston, Idaho 83501 800-326-4843, Barbara Leachman | 8/FA 8 RA | Hillcrest Apts. 485 N Laurel Genesee, Idaho 83832 ✓ |
| 11. | DARTY, EDWIN (PATRICIA) % Wendy White HCR 60 Box 10 Bonners Ferry, ID 83805 208-267-3848 | 8/FA 8 RA | Aspen Apts. 124 E. Van Buren Bonners Ferry, ID 83805 ✓ |
| 12. | HAYDEN LAKE ASSO. % Cimcorp Inc. P. O. Box 1180 Hayden Lake, Idaho 83835 208-666-1502, Claudia Moser | 24/FA 11 RA | Lakeview Village 10102 N. Government Way Hayden, Idaho 83835 ✓ |
| 13. | HAYDEN LAKE III ASSO. %Cimcorp Inc. P. O. Box 1180 Hayden Lake, ID 83835 208-666-1502, Claudia Moser | 36/EL 29 RA | Sarah Senior Community 9359 Gov't Way, PO Box 2773 ✓ Hayden Lake, Idaho 83835 |
| 14. | L & S PINE GROVE VILLAGE LTD % Pine River Prop. P. O. Box 10 Colbert, WA 99005 509-467-3036, Lisa Sullivan | 16/EL 15 RA | Pine Wood Village 682 Heritage Rathdrum, ID 83858✓ |
| 15. | LAKEVIEW APTS. % Pam Welborn, Mgr. P. O. Box 278 Winchester, ID 83555 208-743-4557 | 8/EL 8 RA | Lakeview Apts. W. 220 Mason Ave. Winchester, ID 83555 ✓ |
| 16. | LINCOLN TERRACE VENTURE % Joe Olson 11211 E 21st Spokane, WA 99206 509-924-1274 | 15/EL 14 RA | Lincoln Terrace 8th & Lincoln St. St. Maries, ID 83861 ✓ |
| 17. | MEADOWRIDGE MANOR % Bill Brown 108 S Second Ave. Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 24/EL 24 RA | Meadowridge Manor 103 Halley St. Sandpoint, ID 83864 ✓ |
| 18. | MILLER, MARVIN G. % Cimcorp, Inc. P O Box 1180 Hayden, ID 83835 208-666-1502, Claudia Moser | 18/EL 18 HUD | Lincoln Way Terrace 530 W. Harrison ✓ Coeur d' Alene, ID 83814 |
| 19. | MOUNTAINVIEW VILLA % Infinity Mgmt Inc. P O Box 306 Lewiston, ID 83501 208-746-2422 Ruee Gibler | 44/FA | Mountainview Villa Apts. ✓ 1425 Mountainview Rd. Moscow, ID 83843 |

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| 20. | NORTH IDAHO ASSOC. ACTION AGENCY % Cimcorp. P. O. Box 1180 Hayden Lake, ID 83835 208-666-1502, Claudia Moser | 24/FA 7 RA | Mathews Apartments 8551 Government Way Hayden Lake, ID 83835 / |
| 21. | NORTHWOODS TERRACE ASS. 34/FA c/o Bill Brown Rentals 108 S. Second Ave. Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 13 RA | Northwoods Terrace 307 Halley St. Sandpoint, ID 83864 ✓ |
| 22. | PINE MEADOW ASSOC. % Darwin Brown 108 S. Second Ave. Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 24/FA 10 RA | Pine Meadow Apts. 205 Halley St. Sandpoint, ID 83864 ✓ |
| 23. | PLEASANT VALLEY Ltd. Part. % Syringa Property Mgmt. P O Box 2080 Boise, ID 83701 208-343-8645, Diane Hunt | 32/EL 31 RA | Pleasant Valley Apts. 220 N Myrtle Grangeville, ID 83530 ✓ |
| 24. | POST FALLS INVESTMENT GROUP % Infinity Mgmt Inc. P O Box 306 Lewiston, ID 83501 208-746-2422, Russ Gibler | 24/FA 23 RA | Parkside Apts. 1814 N Spokane St. Post Falls, ID 83854 ✓ |
| 25. | POST FALLS INVESTMENT GROUP % Infinity Mgmt Inc. P O Box 306 Lewiston, ID 83501 208-746-2422, Russ Gibler | 18/EL 18 RA | Parkside Senior Apts. 1900 N. Williams Post Falls, ID 83654 ✓ |
| 26. | PULIS, CLEO J % C & S Management Box 697 Coeur d'Alene, ID 83814 208-765-8501 | 24/FA | Ross Point Apts. 3100 E 2nd Post Falls, ID 83854 ✓ |
| 27. | PULIS, CLEO J % C & S Management Box 697 Coeur d'Alene, ID 83814 208-765-8501 | 24/FA 7RA | Ross Point II Apts. 3100 E. 3rd Post Falls, ID 83854 ✓ |
| 28. | RAYANN APARTMENTS c/o Infinity Mgmt Inc PO Box 306. Lewiston, ID 83501 208-746-2422, Russ Gibler | 48/FA | Rayann Apts. 308 & 404 S. Grant Moscow, ID 83843 / |

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| 29. | RCH ASSOCIATES % Georgia Hattenburg P O Box 1418 Hayden Lake, ID 83835 208-683-2095 | 10/FA 8 RA | Avondale Villa 1580 Skyview Lane Hayden Lake, ID 83835 ✓ |
| 30. | RIDLEY VILLAGE ASSO. c/o Bill Brown Rentals 108 S. Second Ave. Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 24/EL 24 RA | Ridley Village 950 Ridley Village Rd. ✓ Sandpoint, ID 83864 ✓ |
| 31. | RIDLEY VILLAGE ASSO. II c/o Bill Brown Rentals 108 S. Second Ave. Sandpoint, ID 84864 208-263-6221, Carolyn Brown | 24/FA | Ridley Village II 1000 Ridley Village Rd. Sandpoint, ID 83864 ✓ |
| 32. | RIGGINS ASSOCIATES 616 E. South St. Grangeville, ID 83530 208-983-0452, Cindy Hake | 22/EL 22 RA | Irwin Center Main Street ✓ Riggins, ID 83549 |
| 33. | ROSS POINT ASSOC. % C & S Management Box 697 Coeur d'Alene, ID 83814 208-765-8501 | 24/FA 9 RA | Ross Point Apts. East 3200 E 2nd ✓ Post Falls, ID 83854 ✓ |
| 34. | RUBINT, JOHN % Infinity Mgmt Inc. P O Box 306 Lewiston, ID 83501 208-746-2422, Russ Gibler | 8/FA 2 HUD 6 RA | Rubint Apts. 309 12th St. ✓ Kamiah, ID 83596 |
| 35. | RUSSET SQUARE ASSOC. % Landura Corp. 1320 Lewis St. SE Salem, OR 97302-2526 503-362-0225 | 40/FA | Russet Square Apts. 231 Lauder ✓ Moscow, ID 83843 |
| 36. | SENIOR HOSPITALITY CENTER, INC. Box 1639 Bonners Ferry, ID 83805 208-267-5554, Barbara Kovacs | 29/EL 22 RA | Mountainview South Apts. NW Corn Eisenhauer & Solomon Bonners Ferry, ID 83805 ✓ |
| 37. | SENIOR HOSPITALITY CENTER, INC. P O Box 1639 Bonners Ferry, ID 83805 208-267-5554, Barbara Kovacs | 9/EL 9 RA | Mountainview North Caribou St. ✓ Bonners Ferry, ID 83805 |
| 38. | SENIOR HOSPITALITY CENTER, INC. P O Box 625 Bonners Ferry, ID 83805 208-267-5554, Barbara Kovacs | 19/EL 19 RA | Oak Street Apts. ✓ Oak Street Bonners Ferry, ID 83805 |

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| 39. | SILVER VALLEY SENIOR CITIZEN, INC. P O Box 689 Pinehurst, ID 83850 208-682-3640, Sherry Krulitz | 20/EL 20 HUD | Whispering Pines 2nd & Arizona Pinehurst, ID 83850 ✓ |
| 40. | SINGER, WALTER E 1985 Riverview Dr. Post Falls, ID 83854 208-773-2708, Grace Singer | 4/FA | Crenshaw Apts. 356 Crenshaw ✓ Rathdrum, ID 83858 |
| 41. | SINGER, WALTER E 1985 Riverview Dr. Post Falls, ID 83854 208-773-2708, Grace Singer | 5/FA 3 RA | Crenshaw Apts. 1497 Alabama Rathdrum, ID 83858 ✓ |
| 42. | SPIRIT LAKE SENIOR CITIZENS, INC. P O Box 85 Spirit Lake, ID 83869 208-623-3571, Roxanne Michalski | 12/EL 12 HUD | Maple Tree Court 401 E. Jefferson Spirit Lake, ID 83869 ✓ |
| 43. | ST. VINCENT DEPAUL 108 E. Walnut. Coeur d'Alene, ID 83814 208-664-9629, Linda Elder | 8/FA 5 RA | Vali-Vu Apts. / E 1440 16th Post Falls, ID 83854 |
| 44. | ST. VINCENT DEPAUL 108 E. Walnut Coeur d'Alene, ID 83814 208-664-9629, Linda Elder | 8/EL 8 RA | Leisure Living 261 B St. ✓ Tensed, ID 83870 |
| 45. | ST. VINCENT DEPAUL 108 E. Walnut Coeur d'Alene, ID 83814 208-664-9629, Linda Elder | 8/EL 8 RA | Golden Terrace 650 C. St. ✓ Plummer, ID 83851 |
| 46. | ST. VINCENT DEPAUL 108 E. Walnut Coeur d'Alene, ID 83814 208-664-9629, Linda Elder | 16/EL 16 HUD | Lightning Creek 120 W. 10th ✓ Clark Fork, ID 83811 |
| 47. | ST. VINCENT DEPAUL 108 E. Walnut Coeur d'Alene, ID 83814 208-664-9629, Linda Elder | 12/EL 8 RA | Meadow Wood Glen 1203 E 3rd ✓ Post Falls, ID 83854 |
| 48. | STOCKWELL, ALLEN E. % Jo Ann Koonce 685 E. Hayden Ave. Hayden Lake, ID 83835 208-765-9053 | 36/FA 20 RA | Valley View I Apts. N. 1750 Pines Rd. ✓ Post Falls, ID 83854 |
| 49. | SULLIVAN, MIKE & LISA % Pine River Prop. Mgmt. P. O. Box 10 Colbert, WA 99005-0010 509-467-3036, Lisa Sullivan | 6/FA 5 RA | Murray Apts. W. 1302 Beardmore St. ✓ Priest River, ID 83856 |

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| 50. | SULLIVAN, MIKE & LISA % Pine River Prop.Mgmt. P. O. Box 10 Colbert, WA 99005-0010 509-467-3036, Lisa Sullivan | 9/EL 9 RA | Beardmore East 303 Harriet St.. Priest River, ID 83856 ✓ |
| 51. | SULLIVAN, MIKE & LISA % Pine River Prop.Mgmt. P. O. Box 126 Colbert, WA 99005-0010 509-467-3036, Lisa Sullivan | 12/FA 8 HUD | Timberlane Apts. 7th and Massachusetts Spirit Lake, Idaho 83869 |
| 52. | SYRINGA ESTATES LIMITED PARTNERSHIP % Bill Brown Rentals 108 S. 2nd Sandpoint, ID 83864 208-263-6221, Carolyn Brown | 24/FA 13 RA | Syringa Estates 1101 N. Division Sandpoint, ID 83864 ✓ |
| 53. | TREATY ROCK HOUSE % Joe Olson 11211 E 21st Spokane, WA 99206 509-924-1274 | 15/EL 15 RA | Treaty Rock House 7th & Compton Post Falls, ID 83854 ✓ |
| 54. | VETTRUS, DEAN L. VETTRUS, PHYLLIS 1503 Pine Cone Rd. Moscow, ID 83843 208-875-0720, Jean Glassock | 11/FA 11RA | Ridge Road Apts. 1404 Ridge Road Moscow, ID 83843 ✓ |
| 55. | VETTRUS, DEAN L. VETTRUS, PHYLLIS 1503 Pine Cone Rd. Moscow, ID 83843 208-875-0720, Jean Glassock | 32/FA 24 RA | Hiawatha Apts. 400 6th St. Potlatch, ID 83855 ✓ |
| 56. | WEIPPE DEVELOPMENT P O Box 146 Weippe, ID 83553 208-435-4216 | 16/FA 13 RA | Sunset, Centre, Millview 310 Wood St., 205 1st St. E & 419 Weippe, ID 83553 ↓ |
| 57. | WEIPPE DEVELOPMENT P O Box 146 Weippe, ID 83553 208-435-4216 | 8/EL 8 RA | Prairie View Apts. 222 S 1st St.E. Weippe, ID 83553 ✓ |

Submitted by: Nick Partin

Federal Managers Association Chapter 389
A USDA Conference Member

LEGISLATIVE ISSUES

March 2004

FMA Chapter 389 is a professional organization, which strives to enhance the programs, and improve the delivery of services and cost effectiveness of the Rural Housing Service, Rural Business and Cooperative Service, and the Rural Utilities Services. Chapter 389 membership consists of loan officials and program managers who administer the Rural Development Mission Area Credit and Technical Assistance Programs. Chapter 389 is affiliated with the Federal Managers Association (FMA), an organization that represents the interests of over 200,000 federal managers, which advocates excellence in public service through effective management and professionalism.

In order to enhance Rural Development programs, services and efficiency to the fullest extent possible, a number of the following proposed provisions will require legislative action by the Congress and Senate. We would like to request your support in making the legislative changes that are necessary to accomplish the following:

1. Remove the requirement that flood insurance must be obtained for USDA Single Family Housing 504 loan funds for loans of \$15,000 or less.

The Housing Act of 1949 (Title V of P.L. 81-171 dated October 25, 1949) authorized USDA to make loans to farmers to construct, improve, repair or replace dwellings..... Over time the Act has been amended to authorize housing loans and grants to rural residents in general and these are administered by the Rural Housing Service (RHS). The Act was further amended under 7CFR1806 and 7CFR 3550 in January 2003. These amendments require that flood insurance be required for 504 grants of more than \$5,000 and for all 504 loans (regardless of the amount).

The 504 loan and grant program administered by RHS is limited to "very low" income households and funds usage is limited to needed repairs that will assist these families in remaining in their homes under decent, safe and sanitary living conditions. This assistance is limited to applicants who already own the homes (not for purchased or new construction). The flood insurance requirement needs to be amended to eliminate 504 grants (there is a maximum lifetime assistance at this time of \$7,500 for grant assistance) and apply only to 504 loans exceeding \$15,000. This would be more consistent with the requirements of the Act regarding hazard insurance which is required if a Section 504 loan has a total outstanding balance of \$15,000 or more.

Amending this requirement would allow many more very low income qualifying homeowners to receive assistance for badly needed repairs to their homes.

2. Allow the refinancing of subsidy recapture and other affordable housing assistance for direct loan customers who wish to refinance using guaranteed rural housing funds. Also, allow the financing of necessary repairs when a direct or guaranteed loan is refinanced with a new GRH loan.

Paragraph 13 (A) of the Housing Act of 1949 currently allows direct loan customers to refinance only the loan made by Rural Housing Service (RHS). Borrowers who have received a "leveraged" or "partnership" loan cannot refinance the non-RHS portion of the loan with GRH funds. RHS requires that borrowers who qualify for "leveraged" loans are required to obtain non-agency sources of financing. This provision was enacted to reduce reliance on limited federal resources.

In the case of repairs, in some areas of the country, lenders are not willing to lend additional money to our direct loan customers to make necessary repairs (i.e. roof, mechanical systems, water/sewer). The loan-to-value ratio maybe too high or that they do not offer "repair" loans at reasonable rates and terms. Some economically depressed areas of the country require a Federal loan guarantee in order for a lender to make a loan. We also recommend that borrowers who have taken out a equity loan for repairs be allowed to refinance the equity loan along with their Rural Development debt into a new GRH loan.

We recommend the following language be added to Paragraph (13)(D): *"For a direct loan being refinanced with a guarantee, the principal obligation under the refinancing loan may also include the refinancing of subsidy recapture and other affordable housing assistance obtained by the homeowner. Any funds for necessary repairs may also be included."*

3. Allow government guarantees on tax exempt financing.

The guarantee of loans for municipal or tax exempt entities to take loan guarantees from USDA/Rural Development and still maintain their tax-exempt status.

- Without the attached proposed bill, the loan guarantee program for financing water, wastewater, and essential community facilities will not be utilized.
- This is key to the use of this program and if corrected, will help deal with the backlog of loans for small communities to build or improve water, wastewater, and essential community facilities.

The Farm Security and Rural Investment Act of 2001, Section 6007 (Farm Bill), gave the Secretary of Agriculture limited authority to guarantee types of tax-exempt financing for specific types of projects. However, this law did not give the customer the ability to accept such tax-exempt financing without giving up its tax-exempt status. As an example, if a loan guarantee is made to an entity providing tax-exempt security, then that entity could potentially lose its tax-exempt authority for that bond issue.

The Farm Bill provides authority to guarantee tax-exempt financing to public bodies for most Water and Waste Disposal projects. However, Community Facilities (CF) can only guarantee tax-exempt financing with gas utilities, docks, wharves, airports, and education projects. With qualifications, CF could guarantee tax-exempt financing for assisted living and nursing homes, as well as some shelters and homes (such as battered women's shelters and mentally challenged homes). As written, the Farm Bill does not provide authority to guarantee tax-exempt financing for such essential CF projects as hospitals, medical clinics, and fire and rescue-type projects. To implement this section of the Farm Bill would require authorization by the Senate Finance Committee.

The Veterans Administration, Federal Housing Administration (includes health care and housing programs), and USDA/Rural Development's Multi-Housing programs already have this authority.

A Bill

To amend the Internal Revenue Code of 1986 to permit the interest on water, waste, and essential community facilities loans guaranteed by the Secretary of Agriculture to be tax-exempt.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. WATER, WASTE, AND ESSENTIAL COMMUNITY FACILITIES LOANS GUARANTEED BY SECRETARY OF AGRICULTURE TO BE TAX-EXEMPT.

(a) In General. – Paragraph (3) of section 149(b) of the Internal Revenue Code of 1986 (relating to federally

guaranteed bond is not tax exempt) is amended as follows:

(a) Section 149(v)(3)(A) of the Internal Revenue Code (26 U.S.C. 149(b)(3)(A)) is amended –

(1) in clause (ii) by striking "or";

(2) in clause (iii) by striking the period and inserting "or"; and

(3) by adding at the end the following:

"(iv) any guarantee by the Secretary of Agriculture pursuant to Section 306(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(1)) to finance water, wastewater, and essential community facilities."

